

OCT. 12  
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OCT 14 1935

# BUSINESS WEEK



MCGRAW-HILL  
PUBLISHING  
COMPANY, INC.

20 CENTS

FOR THE WEAPONS OF WAR—League economic sanctions and probable additions to the list of forbidden exports under our neutrality act may choke off a thriving scrap business—direct with Italy at least. But as the world rearsms, demand for scrap—and shoes and ships and sealing wax—continues strong.

UNIVERSITY OF MICHIGAN LIBRARY  
ANN ARBOR MICH

# \$500,000,000.00

## Advertising Experience

### *— So What?*

**S**INCE the day Lord & Thomas began business nearly seventy years ago, our clients have invested through us over \$500,000,000 in advertising. More than one-third of that amount (\$180,000,000) has been placed through us in the last five years of depression.

"So what?" one may properly ask. And to that question, here is our answer:

\$500,000,000 buys a lot of advertising experience. And the period of seventy years spans four major economic cycles in this country — cycles that embrace every phase of growth, prosperity and depression.

Naturally, so much experience, acquired under such a wide variety of conditions, leads to a definite point of view. It leads to principles that make advertising ventures safer and more profitable. It leads to habits of alert and aggressive response to every crisis or change.

Such qualities distinguish both the history and the present practice of Lord & Thomas.

#### *Money-Making Principles*

Just thirty years ago, Lord & Thomas startled the business world by defining advertising for the first

time as *salesmanship-in-print*. Which means: "give the consumer in an interesting way, the REASON-WHY it is in the consumer's interest to buy the wares you have for sale."

Time has richly fulfilled the meaning of those words. Today we know ways to search every advertising project for the winning reason-why. We have fully developed the technique to *recognize* the great selling idea — to power it with drama and exciting news — to drive it with lightning impact straight to the mark of consumer interest.

These things are not easy to do. And few are the men who can do them.

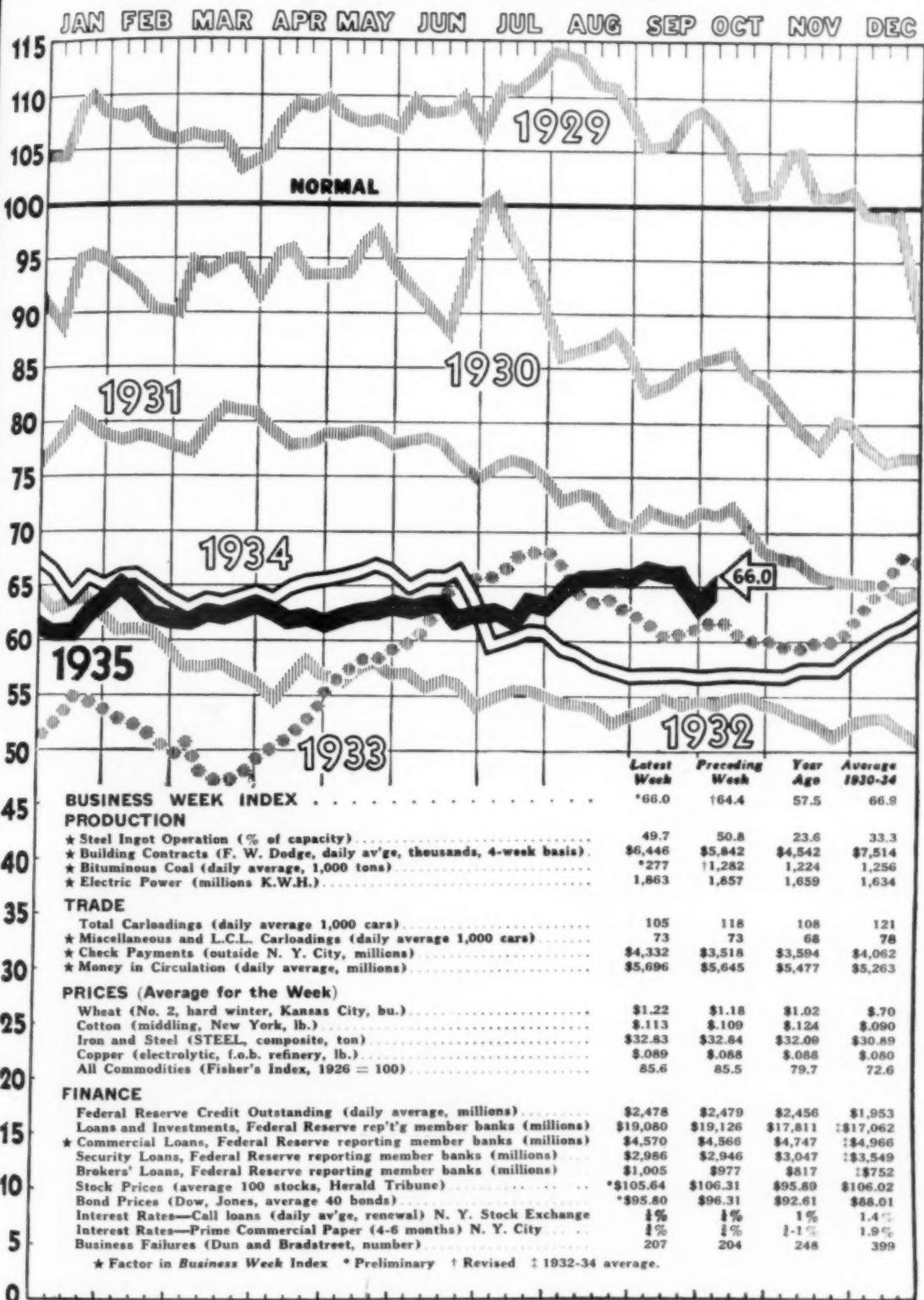
So it is that a Lord & Thomas advertising program usually starts with the *odds in its favor*. Creative ability, seasoned experience and *pre-determined results* combine to insure maximum safety and profit.

The responsibilities of investing \$500,000,000 for clients in advertising have taught us these exact methods of *salesmanship-in-print*. And the experience of 63 years proves that only when advertising is *salesmanship-in-print* can it hope for enduring success and continuous profits.

# LORD & THOMAS · *advertising*

*There are Lord & Thomas offices in New York; Chicago; Los Angeles; San Francisco; Toronto; Paris; London. Each office is a complete advertising agency, self-contained; collaborating with other offices to the client's interest.*

# WEEKLY INDEX OF BUSINESS ACTIVITY



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BUSINESS WEEK

# THE BUSINESS-TIDE IS RISING!

THIS rising tide is bringing greater volume to mills and factories throughout America. And, in order to more profitably handle increasing production, many alert manufacturers are speeding the turnover of their working capital by factoring.

Leaders in every industry are planning ahead, modernizing manufacturing facilities, developing new products; expanding markets; making the fullest use of avail-

able funds; and factoring provides ready funds for immediate employment.

Today, Commercial Factors Corporation assists many manufacturers to accelerate the turnover of operating funds. Our factoring plan facilitates the transaction of greater volume, on your present working capital, and helps you earn more profit. We invite you to write, or send the inquiry coupon, for interesting information about our factoring plan.



## COMMERCIAL FACTORS CORPORATION

TWO PARK AVENUE • NEW YORK

Please send information about your service to:

Name \_\_\_\_\_ Firm Name \_\_\_\_\_  
Address \_\_\_\_\_

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# The Business Outlook

OUTBREAK of hostilities abroad have given commodity markets an extra fillip this week. Copper, cotton, lead, and zinc headed the upward march of important raw materials. Steel markets fear interruption to manganese and ore supplies; paint manufacturers, depending on essential oils and gums from the Far East, must cope with similar problems; carpet and rug fabricators are worried about wool imports. Exporters, beset with sanctions and restrictions on arms shipments, are casting about for loopholes.

If the war is confined to the African arena, as seems likely for the present, its effects on domestic business will be limited. But with inventory supplies of most raw materials reduced to more favorable levels, even a small pressure from foreign sources, added to internal demand, may start the ball rolling faster toward higher prices, more forward purchasing. The situation bears watching.

## Steady Progress Holds

Outside of commodity markets, the business pattern revealed no striking alterations from the steady progress of recent months. *Business Week's* index regained some of the loss resulting from the coal strike during the last week of September, when coal production hit the smallest total in more than a decade. Steel production is holding close to the 50% of capacity line in October, though motor volume still lags. Detroit is smoothing out production wrinkles, setting 1936 production schedules that are startling. Electric power production hit a new all-time high for any week, and under the impetus of private industrial and commercial awards, construction contracts hit the third highest week of 1935.

## Steel Reaches for 1930

Steel tonnage in September averaged higher than the weekly estimates of mill activity had forecast. With the average rate of operations at 51.1%, September came close to the 1935 high reached in February. The activity represented a gain of 123% over a year ago. In the first 9 months of 1935, steel tonnage came within 1.6 million tons of the entire year 1934, and the pace promises to bring 1935 within striking distance of 1930, when output reached 39.3 million tons.

## Railroads Snap Out

Railroad buying is still far from normal, but some tonnage is appearing. September purchases of freight cars numbered 875, according to *Steel*, the second best month of the year. The 9-month total of 7,908 is

## POWER AT THE TOP

*Last week, the power industry broke all ties with past production records. Under the pressure of expanding industrial activity and increasing domestic consumption—thanks to lower rates and to increased sales of appliances—power production broke through the peak December week of 1929. At this rate, even the utilities may have to reconsider their capacity to meet demand.*

still far below the 23,390 figure for the same period of last year. It is, however, better than the aggregate for the full years 1933 and 1932.

## Packard's Big Push

September passenger car registrations are expected to dip sharply below those of August—at least 33%, according to early reports. August sales of 233,851 were the best for the month since 1929, and brought Chevrolet to the head of the list for the first month this year. Packard's gain of 395% in the first 8 months of 1935 was so encouraging that October schedules have been set higher than any month in Packard history. Ford still leads the industry with 32% of total registrations, a 54% gain over the first 8 months of 1934.

## Truck Sales Roll On

Truck registrations in the first 8 months of 1935—a total of 355,661—have been exceeded only once before, in 1929, when they numbered 373,692 units. August was the second month this year to exceed 50,000, another record that goes back to 1929 for comparison. Obviously industry has been refurbishing its delivery equipment this year.

## Construction Records

With 3 business days less than August, September construction came within 1% of that peak month. Both

residential and public works and utility awards broke through the August levels, but only public works established a new peak for 1935. On a daily average basis, last month's residential activity forged 16%, ahead of August and 134%, ahead of last year. Non-residential fared less notably, but fell less than 5% below August and still scored a 17% gain over September, 1934. Public works and utilities, which have shown a slow upward trend since the first quarter of 1935, jumped 23%, ahead of the August daily average, and 52%, ahead of a year ago.

## Closing the Gap

Since early in the year, the construction industry has been steadily aiming at reducing the gap between 1935 and 1934. At the end of the first quarter, contracts awarded in 37 states covered by F. W. Dodge lagged 36% behind 1934. At the 6 months point, the spread was cut to 18%, and at the end of 9 months, the lag was a mere 1%. By the end of 1935, there should be a favorable margin to spare.

## Record for Rayon

Textile markets have enjoyed spectacular activity in recent months. Rayon shipments last month established an all time high, and for the third consecutive month bulked larger than production. Supplies on hand now are sufficient for only 5½ weeks at the current rate of consumption. Wool consumption of the apparel class was 81% greater in the first 8 months of 1935 than in the same period of 1934.

## Retail Sales Disappoint

September department store and chain sales were a bit disappointing. Warm weather put a dent in sales of winter apparel in some sections of the country. Then, too, last year had the advantage of 5 Saturdays in the month compared with 4 this year. J. C. Penney sales were off 6% in September compared with a year ago, while August sales were 11% ahead; Spiegel, May, Stern sales were off 42% in September, but ahead 35% in August; Montgomery Ward sales were 9% ahead of last year in September, 21% ahead in August, 1935.

## Modernization Sales Gain

Oil burner manufacturers are now at the height of their season. Orders in August were running 32% ahead of last year, while the 8 months' total was also 32% better than 1934. Paint and varnish sales in August held close to the July level; 8 months' sales of 579 manufacturers totaled \$228.7 millions compared with \$195 millions in 1934, a 17% gain.

# The New York Trust Company

Member of the Federal Reserve System and of the New York Clearing House Association

100 BROADWAY

40th St. & Madison Ave. Fifth Ave. & 57th St.

## CONDENSED STATEMENT OF CONDITION

At the close of business, September 30, 1935

### RESOURCES

Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers	\$135,947,122.09
United States Government Securities	154,157,069.43
Reconstruction Finance Corporation Notes	2,500,000.00
Other Bonds and Securities	44,224,987.80
Loans and Bills Purchased	113,170,402.90
Accrued Interest and Other Resources	2,951,211.09
Mortgages Owned	2,368,513.41
Equities in Real Estate	637,737.64
Banking Houses—Equity and Leasehold	2,719,332.36
Customers' Liability for Acceptances and Letters of Credit	3,000,268.74
Liability of Others on Acceptances, etc., Sold with Our Endorsement	464,820.35
	<hr/> <u>\$462,141,465.81</u>

### LIABILITIES

Capital	\$12,500,000.00
Surplus	20,000,000.00
Undivided Profits	<u>1,361,490.44</u> \$33,861,490.44
Reserves:	
For Contingencies	11,404,227.97
For Taxes, Interest, etc.	6,073,981.44
Deposits	382,885,942.66
Outstanding Checks	<u>23,661,558.71</u> 406,547,501.37
Dividend Payable September 30, 1935	625,000.00
Acceptances and Letters of Credit	3,164,444.24
Acceptances, etc., Sold with Our Endorsement	464,820.35
	<hr/> <u>\$462,141,465.81</u>

United States Government obligations and other securities carried at \$16,645,781.57 in the above statement are deposited to secure public and trust deposits and for other purposes required by law.

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# Washington Bulletin

**WASHINGTON** (By *Business Week* Staff Correspondents)—Conviction Italy will crack under economic pressure by League members is strongly held by diplomats and officials here, despite skepticism in Europe and New York business circles. Best judgment is Britain will not resort to blockade, much less war—though possibility of "incidents" is always present.

Weakness of Italy is she has no friends at moment. Germany is much suspected but is too anxious to stand by Britain in return for new naval ratio and scrapping Versailles treaty. Hit by boycott and in desperate straits for foreign exchange, Reich would undoubtedly like to sell goods. But Mussolini's sadly depleted gold reserve—down to 4,334 million lira gold on Sept. 20 from over 7 billion on Feb. 28, 1934—does not promise a good risk.

## German Precedent

Citing way Germany held out in World War doesn't make a case for Italy in Washington opinion. Central Powers could draw on territory stretching from Baltic to Black Sea and beyond into Asia. They were rich in necessary materials themselves, could buy heavily from Scandinavia and Holland. That's not Italy's case.

## Find Cost Too High

Hence best Washington opinion is Duce made ghastly mistake in forcing war—that it will cost Italy many times any possible advantages, especially if these are compared with what she was offered to keep peace.

## What Are Munitions?

Neutrality advocates in Congress are disturbed over State Department's construction of language used in recent act. "Arms, ammunition, and implements of war" turns out to be much narrower than they expected. Following strict letter of law will make impossible addition of cotton, copper, chemicals, materials which can be fabricated into munitions by purchaser. Fight to broaden ban is sure.

## No Labor Party

Labor Federation convention is turning out to be strangely like a D.A.R. meeting, replete with patriotic speeches, denunciation of un-American activities, communism, etc. Chief significance so far is assurance there will be no labor party. Sam Gompers marches on.

## "Problem Child"

Rumor that Secretary Morgenthau is to be made ambassador to Spain, thus kicking him downstairs, persists despite denials. Observers find it dif-

## WALKER WALKS BACK

*National Emergency Council, technically overlord of expenditures, and actually, through Frank C. Walker, checker as to political situation affecting projects proposed, is to fold up. Walker will go back to his 1932 job of raising money for the campaign. Of course, critics will say that the 1935 and '32 jobs dovetail very well.*

ficult to believe Roosevelt would humiliate so ardent a yes-man, despite widespread opinion among New Dealers that he has not measured up. Harsh critic, close to throne, calls him "problem child of Administration."

## Speeches—And Omissions

Importance of President's speeches to business lies in what he did not say. He has made no reference to necessity of increasing purchasing power, to inflation, or imaginary currency units. This leads some commentators to think he has turned right again. However, he made every speech with eye on election, played AAA benefits hard in farm sections, other points where most useful. Actually he did not retract anything about where additional taxation—when it comes—must be placed.

## Straw Counters

Amateur gauges of public sentiment, by automobile tours, etc., continue to report Administration very strong with farmers, very weak with business men. Favor of former held because AAA puts money in their pockets. Aversion of latter is because they fear government will take it out of their pockets.

## Delano's Tough Job

Frederic A. Delano, President Roosevelt's uncle, will head Central Housing Committee resulting from plans to consolidate Administration's rival housing agencies. Despite De-

lano's prestige, both with President and in art circles, Ickes, Tugwell, and the others expect to go right ahead as though nothing had happened.

## Reich Changes Trade Ideas

Germany is reported cured of international barter idea, of which cotton deal with United States proposed by George Peek, killed by Cordell Hull, was outstanding example. Now seeks trade on "most favored nation" basis.

## Explaining Mr. Hoover

Here's the prize fantastic rumor about Herbert Hoover's activities: That he is going to hog spotlight until after bonus is passed by Congress—about next February—with idea of preventing whoever is to be Republican nominee from getting so far out in front meanwhile that he will be embarrassed by questions as to his attitude on the soldiers' demands.

## Kind Words for Utilities

In Roosevelt's absence, Power Committee Chairman Frank R. McNinch suddenly astounds utilities by kind words. In follow-up on last week's "cautiously cordial" SEC meeting with utility heads, announcement calling upon interlocking directors to register is made. Power Commission insists the 2 government agencies will cooperate to avoid duplication and undue burden on industry. He may temper wind to shorn lamb.

## Work Progress

After raising roof on WPA and PWA work programs to \$1,700 millions, limit which, under law, can be distributed from \$4 billions appropriation in grants and loans to states, President is holding WPA down to \$1,140 millions, of which \$909 millions has been allotted. PWA got its share, \$341 millions, but Ickes is playing politics with senators and representatives to get more and has good prospect of success.

## Taxpayers Go Slow

Local contributions that Harry Hopkins expected would add 20% to the WPA program are averaging only 10%. Ratio will continue to decline since scratching for projects is turning up work for which local taxpayers will not or cannot pay.

## Money in Their Ears

Chamber of Commerce President Harper Sibley's warning about expansion of federal government and curtailment of state powers falls on deaf ears as far as a good many state and local officials are concerned. They're too glad to get federal appropriations to worry about the strings tied to the money and likely to entangle them.

# 73% PROFIT

## Through Electrical Modernization



Interest on Savings Accounts

Average Interest on Bonds

Average Dividends on Industrial Stocks

73% Average Return on Four Plant-modernization Investments

*Compare these  
annual returns*

### CAUSES FOR INCREASED EARNINGS

Because industrial progress has resulted largely from remarkable improvements in equipment, methods, and design, it seems logical to seek increased earnings in the future, as in the past, from new, improved machinery and methods to meet changing conditions.

Obsolete equipment and methods must be replaced. Different processes — frequently, different materials — will be adopted in the future. When close accuracy, high speed, and almost continuous operation are required, the profitable life of a machine is shorter than is usually recognized.

These facts indicate that manufacturers, in seeking reduced costs and increased returns, will do well to be certain that their designs, methods, and equipment represent the latest accepted practices.

### CONTRIBUTION OF ELECTRIC EQUIPMENT

The proper utilization of electric apparatus has contributed in no small degree to past progress. It is probable that it will contribute to future progress. An examination of the plants of those companies that have successfully met recent adverse conditions indicates that suitable electrical modernization has proved its worth.

### THE RIGHT KIND OF ELECTRICAL MODERNIZATION

Modernization is not necessarily an "open sesame" to increased prosperity and increased profits, but widespread experience in all types of industry indicates that *the right kind of electrical modernization* reduces costs and increases profits.

### CONTINUITY OF BENEFITS

For over 43 years, General Electric has been assisting an *increasing* number of purchasers to obtain *continued* satisfactory and profitable results from their investments in electric equipment. Dependability is difficult to include in specifications, but easy to get if you insist on General Electric equipment.

**G**ENERAL ELECTRIC has on file many records which show the profit to customers that results from capital investment in the right kind of modern electric equipment. Here are four examples, taken from widely diverse industries, well separated geographically, which show how \$26,517 is now saved each year by modernization investments totalling \$36,140 — a 73-per-cent return.

1. A California flour mill invested \$10,900; return, 33 per cent annually.
2. A West Virginia mining company modernized its ventilating system, saving \$1,000 per month, or 100 per cent annually.
3. A New York food manufacturer invested \$10,240 and showed an annual saving of 48 per cent.
4. A Massachusetts stone company invested \$3,000 and realized an over-all saving of \$6,000 annually — a 200-per-cent return.

Why not encourage your employees to search for opportunities to save you money by replacing machines and methods which are no longer profitable? G-E sales engineers will gladly assist you in solving your electrical modernization problems.

*Address inquiries to the nearest G-E sales office or General Electric, Schenectady, N.Y.*

020-217

**GENERAL ELECTRIC**

# BUSINESS WEEK

OCTOBER 12, 1935

## Business Enters a War Zone

**Geneva's sanctions and Washington's neutrality rules for the East African conflict are less likely to affect our trade and markets than the world's fears of and preparations for a bigger war in the future.**

THE shot which marked the beginning of hostilities in Ethiopia was the signal for officials in a dozen countries to call into force neutrality legislation which has been in preparation for months.

President Roosevelt got a jump on the League of Nations, which has been haggling over the application of sanctions for weeks, by declaring that a state of war exists between Italy and Ethiopia and that exports to the 2 belligerents of the "implements of war" listed in our new neutrality act would immediately be stopped. At the same time American citizens were warned that if they traveled on ships of either warring nation they did so at their own risk. Ethiopia has no fleet, but Italian vessels—particularly the fast new luxury liners *Rex* and *Conte di Savoia*—are among the most popular in the transatlantic service.

Since the United States is not a member of the League, Washington's prompt move was interpreted by most people to mean that this country intended to leave no doubt in Geneva that little more could be expected under the powers granted by Congress than has already been announced by the President.

### Italy Is a Bad Risk

The League lost little time in going through the formality of declaring that it would apply economic and financial sanctions against the belligerents. The credit embargo is nothing but a formality. Only London, Paris, and Amsterdam are in a position to offer any appreciable loans, and all of them have been refusing for several months to assume any risk in Italy. The economic embargo can be effective only if all members of the League will support it, and this is doubtful in spite of the formal vote at Geneva.

Almost without exception, people in the United States are in sympathy with the spirit of the new neutrality legislation. There is a wide range of opinion, however, over its effectiveness. In general, the country realizes that existing prohibitions on our shipments will do little to prevent this, or any other, war. To be effective, an economic blockade must include at least a half dozen other

items, such as cotton, copper, chemicals, acids, and foodstuffs.

A fight to broaden the neutrality act so that the President would be authorized to prohibit the export of these items is expected to start with the tap of the gavel when Congress convenes in January.

The government does not intend to hamper export trade unduly in seeking to discover if shipments to neutral countries are intended for belligerents, officials insist, but they point out that they have been catching such violations, with respect to Latin American wars, "every week or so," and say the same sort of watch will be kept on shipments to any country which might pass them on, either to Italy or Ethiopia. This, of course, means primarily Italy. For in-

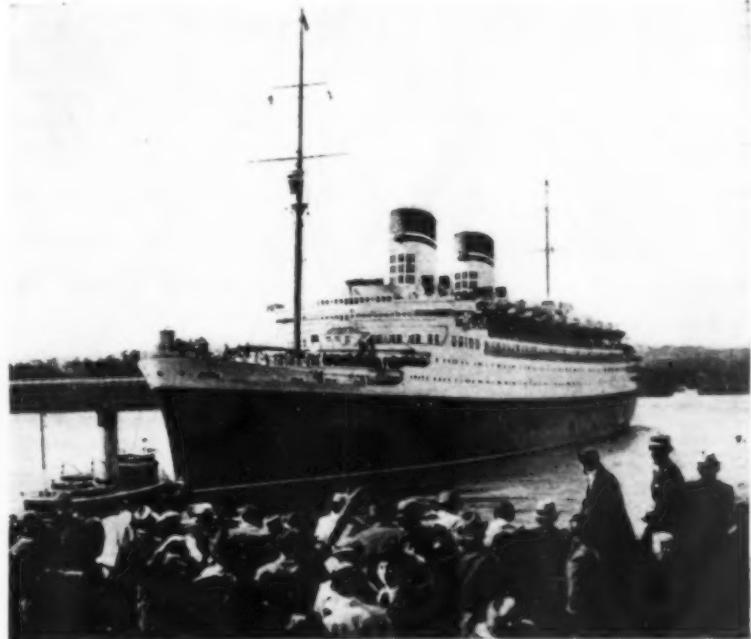
stance, if there should be a heavy shipment of explosives or guns to Germany, the government may require substantial proof that the shipment is not going any further, or is not going to replace similar supplies sold to Italy.

Expectation is, nevertheless, that the munitions business will boom. It is a natural tendency for every nation which might possibly become embroiled to start buying so it will be prepared. This applies not only to "arms, ammunition, and implements of war" but to everything under the general category of "war supplies."

### Can Italy Pay?

This brings up the question of credit. Leaving out the dire possibility that Great Britain may declare war on Italy, and blockade her, will Italy be able to buy American cotton, copper, and other "war supplies" other than "arms, ammunition, and implements of war?" Certainly there would be plenty of political pressure to encourage this, but would American bankers be willing to extend credit to finance such sales after Italy's gold supply has been stripped down to the danger mark—wherever that is?

The Bank of Italy's gold supply has



**TRAVEL AT YOUR OWN RISK**—Sailing for the last time as a ship on which American citizens enjoy the full protection of their government, the *Conte di Savoia* slips out of her berth in New York just a few hours ahead of the President's proclamation. Although no present danger exists, in the absence of any naval warfare with Ethiopia, the order establishes our position well in advance of a possible extension of hostilities, seeks thus to avoid incidents like the *Lusitania*.

already shrunk tremendously. From a peak of 7,105 million lira on Feb. 28, 1934, this stock of gold had shrunk to 5,829 millions on June 10, to 5,524 millions on July 20, and to 4,334 millions on Sept. 20, the last date on which official information is available. This indicates that Italy has been buying heavily, despite official reports to the contrary.

#### Washington Assumes No Risk

Whether the present squabble extends to Great Britain, or whether it is confined to Italy and Ethiopia, officials expect the attitude of this government to be that this country will make no stand for "freedom of the seas." If American shippers send cotton or copper or mules to Italy, they will do so at their own risk—just as the present proclamation warns Americans not to travel on Italian ships, save at their own risk.

Politically the situation in this country is something like this:

Cotton producers are largely (all except California, Arizona, and New Mexico) in states about which the President has no concern in the next election. Copper producers are virtually all in doubtful states, whose electoral votes the New Deal simply must have.

But more important, most shrewd observers think, is the peace sentiment, the anti-entanglement sentiment, and a very general antipathy to Italy on the theory that she is the aggressor. This was indicated by the widespread popular approval of the unexpected step taken by the President in warning Americans off Italian ships.

Europe's stand is still vague. Military sanctions are out, though they are definitely allowed in the League Covenant. The credit embargo is already more or less in effect. Without a shift in the political lineup, no private bankers and no government would make a loan to Italy. A Dutch company has refused an order from Rome for 500,000 pairs of military boots without cash in advance. The Batá Co., in Czechoslovakia, is said to have accepted the

order after payment was arranged through a clearing agreement. British coal companies have refused to make fresh shipments to Italy until previous bills have been paid. Traders in London noted with satisfaction the stand taken by the National Association of Credit Men in New York. "Present trade with Italy should be conducted only on a letter of credit basis."

Economic sanctions are considered unenforceable. It was not until the last year of the war, Europeans recall, that the Allies were able to enforce any real blockade in Germany. And Britain was wholeheartedly pushing that project.

In the present case France, for example, has reluctantly agreed to apply sanctions. It is easy to imagine the French shipping goods to their good friend, Yugoslavia, which the Italians could intercept when passing through their territory. And few people doubt that Russia would refuse to supply Italy with oil, if for no other reason than that it would be a bargaining point when dealing with the British, who have been consistently unfriendly to Moscow because of the political struggle between the two for influence in Turkey, Persia, India, and China.

#### Enforcement the Real Problem

Economic sanctions this time will mean almost nothing unless Britain is willing to enforce a blockade. That is not yet expected because it would almost surely involve Europe in a general war.

In spite of the general belief that the present conflict will be confined to the East African campaign, business has been affected by the fear that it will spread, and by precautionary measures.

Prices of a half dozen staples are up. Copper jumped above 9¢ both here and in Europe for the first time since the depression. Zinc prices are 30% higher than at the beginning of the year, have advanced 5% in the last 3 weeks. Lead prices have advanced 24% and 6% over the same periods. Hides and wheat are also up, but cotton is steady. Traders

admit that the buying flurry of the last few weeks is caused by the war scare, but insist that normal demand has been pushing prices up over the last year.

As foreseen (BW—Sep 28 '35), the situation has failed to parallel developments in 1914 because this country is no longer a debtor nation, but more importantly because few people believe yet that the present localized conflict is going to get out of hand.

## Third Gold Rush

**Gold fleeing war risks increases inflation risks here. Could be used to finance war purchases.**

WAR started on the move again the fugitive gold that has been skipping from capital to capital since 1931. The last month's shipments and engagements for shipment to this country of \$300 millions marks the third gold rush to our shores since the dollar was put back on an elastic gold basis 20 months ago.

United States monetary gold stocks are headed toward \$10 billions, a figure which a few years back was used roughly to express the total world hoard of the precious metal. Each new brick increases a credit foundation already sufficient to support an inflation that would leave 1929 far behind.

Monetary experts hope the metal is not here to stay, that it will be drawn back to needier markets abroad. Government figures indicate that its lodgement here is temporary. Little has so far sought investment or been spent. But lying in bank accounts here it may become a backlog for war purchases or more fodder for a bull stock market.

Just before this new avalanche of gold started, the Department of Commerce balanced out the country's world transactions for the first six months of 1935 (page 33), found that during this period a net of \$800 millions of gold came in, \$79 millions of silver, \$11 millions of homing currency.



THROUGH HELL AND HIGH WATER—That's what the Italians find it means to push a motorized army across the rugged Ethiopian terrain with its unbridged ravines and roadless hills. Given

enough stout rope and men, cars can ford the rivers, as this venerable vehicle is trying to prove. But tanks and cannon are heavier, and enemy bullets may complicate matters.

of the last war scare, and has been last year. The development of the country is but more people believe conflict is

h  
increases should be cases.

again the skipping 31. The engagements of \$300 rush to put back months ago. And stocks a figure as used old hoard new brick already on that

metal is drawn. Gov. lodge has so spent. it may ases or ket.

che of Com. world months of this gold 1 mil-



*Business Week*  
OIL'S SHOW—When the Socony-Vacuum Oil Co. opened its permanent exposition in Rockefeller Center, New York, this week, Fred B. Shall (left), assistant to the president, Nelson Rockefeller (center), and Socony President John A. Brown may have found it more fun to operate gadgets demonstrating Socony's new Clearosol refining process, but the average visitor got a bigger kick out of the world's largest news map. When U.P. news releases flash across the screen above the map, a bulb lights up to indicate the source of the report.

deciding that anything beyond that should be considered as "trade" not "cash" discount. The dress manufacturers are cited because they are sticking to the new rules on returned goods which were inaugurated under the code and which make it difficult for buyers to make the manufacturer the goat for their bad judgment or poor management.

#### Declaration of War

All these practices are condemned by the N.R.D.G.A. as unjustified, oppressive, unwarranted and monopolistic and it gives notice in the official announcement of its FTC campaign that, while not intending "to carry on any guerilla warfare," it will make every effort to prevent violations of the principles which it considers best for producer, distributor, and consumer.

Many manufacturers in industries that supply goods to department stores say that the N.R.D.G.A. has flung down the gauntlet at a time when its own position is somewhat vulnerable. They argue that basically the attack of the department store crowd comes down to the question whether business concerns may cooperate for attack (as the N.R.D.G.A. is doing in this case), but shall be denied the privilege of cooperation for defensive measures. Then, too, they remember how eagerly N.R.D.G.A. members joined together to force Macy's and other retailers with *laissez faire* price policies to toe the retail code line.

These manufacturers readily concede that the Schechter case settled the question of price-fixing, for the present at least, and that industries still practicing it must expect to face the consequences. They point out, however, that only a part of the N.R.D.G.A. indictment includes price-fixing.

Those who followed the hectic code-writing activities of 1933 recall that many an industry then seized the opportunity to make its code a collective declaration of independence from burdens and abuses that had been imposed upon it by the buyers of its goods (particularly in the depression squeeze). Rebates, cash discounts, consignments, return privileges, freight, advertising volume and demonstration allowances, and other devices used to squeeze down prices stood high in the list of things that industries dealing with department stores wanted to abolish through their codes.

#### Objected to Codes

Manufacturers also recall that the special "protective" committee set up by the N.R.D.G.A. to handle the NRA code situation reported at the end of December, 1933, when less than 200 codes had been actually approved by President Roosevelt, that it had examined over 700 codes in process, had found 256 affecting retailers, had fought against 177 of these as contain-

## Buyers' Market?

**National Retail Dry Goods Association members cooperate to protest trade practice cooperation by manufacturers who try to maintain NRA selling practices.**

With a broadside of complaints against 6 specific industries and promises of charges against 3 others, the National Retail Dry Goods Association is attempting to enlist the aid of the Federal Trade Commission in its fight against anything that in its judgment is opposed to sound competition and the free flow of merchandise from the producer to the consumer."

Collectively the specific charges made against the 6 industries cover the bulk of those code provisions that, during the code-writing and code-compliance period of NRA, drew the constant fire of the N.R.D.G.A., its legal staff and members.

For instance, the organization now charges carpet and rug manufacturers

with fixing "prices, terms and marketing conditions by agreement of certain members of the industry." The juvenile wheel goods division of the toy and plaything industry is allegedly doing all that and also establishing "various classes of customers." Six specific chinaware manufacturers are supposed to have done likewise.

Then the washgoods division of the cotton textile industry has offended the department store group by continuing a charge for cartage which, after many years of quiet suffering, it provided for in its code. The lace curtain manufacturers are in bad standing, because they refuse to go back to a 7% cash discount after finding that even the 2% allowed under the code was 24% a year and

ing provisions objectionable to it, though wanted by the industries concerned.

Others who took part in the 1933-34 battle of codes remember that the N.R.D.G.A. also was in the forefront of the fight against any provisions in the proposed retail code that would restrict department stores from using the loss leader or selling below cost, and thereby give small independent retailers a fairer chance to compete. This they cite as just one indication that the department stores rally to collective action in their own interest, but resent collective bargaining by others.

Those who have followed recent activities of the Federal Trade Commission believe that the broadside attack by the N.R.D.G.A. has more or less put the Commission on the spot.

#### FTC Agreements Involved

They are convinced that the commission wants to ingratiate itself with American business and considers the demise of NRA and the President's recent executive order calling for voluntary codes or trade practice agreements as making a golden opportunity to place FTC on top of the heap as the missing link between government and business.

They point to certain very liberal clauses in recently approved trade practice agreements. For instance, that for the wholesale tobacco trade prohibits loss leaders, price discrimination, selling below cost, and most of the practices that the N.R.D.G.A. evidently does not want to have barred. The Juvenile Wheel Goods Association, whose members make up one of the industries named by the N.R.D.G.A., right now have before the FTC a set of trade practice rules in which selling below cost, consignments, secret free trucking and transportation, secret rebates, refunds, commissions, and discounts are all classified as unfair trade practices.

#### Basic Issues Raised

Thus, these FTC trail followers argue, the N.R.D.G.A. has really raised a number of important issues. It has always based its objections to restrictive measures on the argument that it was acting in the interest of the consumers and "the small retailers." If it can prove its case, the FTC movement and fair trade practice agreements would have to be outlawed. It has raised the issue of whether a group of buyers, such as the N.R.D.G.A., shall have the collective right to dictate terms of purchase or whether sellers, also organized in groups shall have the right to dictate terms applying to the sale of goods that they own. It has also called for a showdown on the question whether industries shall be allowed to use such devices as loss leaders. These represent offers that mean selling at, near or below cost and are designed to serve as bait to bring in customers who then are

forced to pay more than average markup or profits on other goods, so as to make up for losses on loss leaders.

Insiders say that N.R.D.G.A. has not particularly improved its status with FTC by broadcasting its attack and specifically naming the industries against which it has complained. They

contend that there is an unwritten law which reserves to FTC the exclusive privilege of making announcements in connection with complaints filed and that generally the Commission issues no public statements until it either dismisses a complaint or issues a show cause order.

## "—And This Honorable Court"

### Supreme Court opens epochal session in new quarters where efficiency triumphs over tradition but essential dignity is bolstered up by a new grandeur.

"FOR the court is now sitting—God save the United States—"

Always after that the court crier makes a little pause for breath before he adds: "—and this honorable court."

New Dealers sympathized heartily with that statement—without the addition—last Monday when the Supreme Court met for the first time in its gorgeous new palace. But Court Crier Thomas C. Wagaman was innocent of worries as to what would happen to this country if the court keeps on knocking out New Deal measures. He has been saying it just that way for years, and a little thing like moving out from under the shadow of the Senate did not interfere with his normal pause.

#### Same Old Chairs

Little else was changed, save the surrounding grandeur. The justices sat in their old chairs, though the draperies were new. Justice McReynolds still swirls slightly in his swivel chair—the only one in the court room, as he listens. Justice Cardozo still uses the chair Justice Holmes used for 20 years.

Down beside the little tables at which the press association reporters covering the court work is the most startling innovation of all—far more important to them, and to editors worrying about edition deadlines, than the new building. Beside each man is a little tube leading downstairs. Through this he can drop his dispatches, and have them hustled to the waiting telegraph wires.

In the old Capitol court room, which was the Senate chamber back before the Civil War, the press association man with a bulletin which might rock the stock market and produce screamer headlines had to lower—not raise—his arm very gently to his side. A leisurely, soft-shod page would approach dignifiedly, and retire gracefully from the room. Once safely outside it would be torn from his languid grasp by a fiercely bellicose runner, who would then dash through the Capitol corridors, up the long flights of steps just west of the Senate chamber, then round to the press gallery where the wires were.

Pneumatic tubes also connect the regular press section in the new court room with the press gallery. Efficiency triumphs over tradition.

But neither the dignified court nor the Grecophile architect worried about the lawyers! There is no more space for them than there was in the curious old Senate chamber. By crowding the chair together as though for a testimonial dinner to some celebrity, Chief Clerk Charles Elmore Cropley managed to get 125 chairs in—with 160 lawyers waiting for admission to the bar! There is actually more space for the public (180 chairs) than for the bar, which is getting rather revolutionary.

Incidentally the rows of chairs and the benches are straight lines in the new court room—not the crescents of the old chamber.

The much-advertised but never used quill pens still adorn the government counsel table, and the table for the opposition lawyers. There are rumors that they may be discontinued, as a matter of economy. Actually they find their way rapidly into the possession of souvenirs.

#### No Court Stenographers

Of course no such innovation as a stenographer's table has been added, much less a noiseless typewriter. There is no official stenographer, nor unless there are a lot of deaths among the justices, will there be in the near future. In fact, so far as the justices and the officials know, no shorthand is written in that august chamber.

Why? The printed opinion is ready as soon as the decision has been completed, and, as the court's holding is even more the law of the land than any act of Congress—since it is final, and cannot be overturned save by a subsequent decision of the court—it would not do to have another version. And every so often a justice delivering the court's opinion changes the written document considerably as he recites it.

Chief Justice White delivered the 5,000-word decision on the Adamson railroad act without ever looking at his

## The Court Convenes

In America's New  
No. 1 Court House



June

THE MAIN LIBRARY



The nine old men—only eight of the present Court have ever been photographed together at one time, Justice McReynolds dissenting—moved this week into spacious new lodgings. For generations they have put up in cramped quarters between the Senate and the House. Now they have a \$10-million building all to themselves, just behind the Capitol and, business believes, a bit to the right. Decisions in critical New Deal cases ahead will settle that question with precise finality.

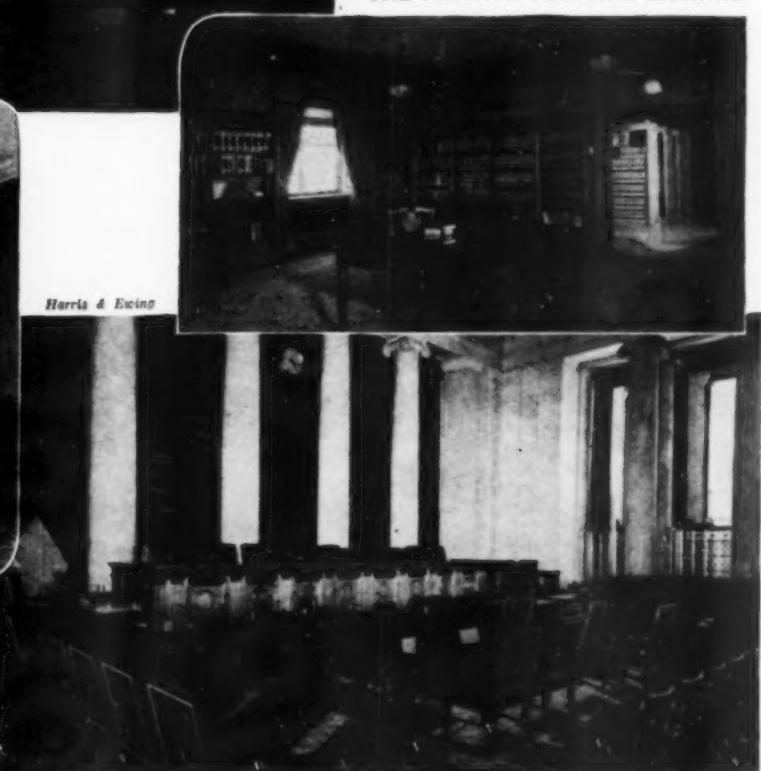
THE PRIVATE JUDICIAL LIBRARY



*Harris & Ewing*



THE JUSTICES' OWN BOARD



THE BENCH—AND THE OLD CHAIRS

notes. It was a magnificent oration, but, though the general drift was the same, it was very different from the official opinion of record, as the reporters covering the court that day found out to their dismay. To which fact John W. Davis, then Solicitor-General, can be called to witness. So no stenographers.

The flurry of publicity created by the combination of the new court room and the docket of momentous cases pending left the austere 9 old men unruffled and unhurried. There are 8 months of hard work ahead. They took a week's adjournment after dismissing one vital New Deal case, upon motion of the petitioners, Kansas Utility Co. It involved the right of PWA to give and loan money to Burlington, Kan., for a municipal power plant.

But the power interests who are contesting the constitutionality of the government's financing of municipal competition have a choice of 21 other cases involving the same issue.

Practically every phase of the New Deal will be before the court in pending cases (BW—Sep 21 '35) and inextricably woven through them is the 150-year-old issue of "federalism" vs. "states rights."

## Wired Molding

**New wiring method for home and office use makes plug-points available wherever needed.**

THE new "Plug-In" strip that has just been placed on the market by the National Electric Products Corp. is ex-

pected not only to revolutionize wiring practices for homes, offices, stores, and shops, but to stimulate the use of electrical appliances everywhere through making plug-in points available in endless numbers.

While all previous methods of wiring required the attaching of special fittings or convenience outlets at points where plug-in facilities for lamps, appliances, or tools were desired, the new "Plug-In" strip has a molded plug opening every six inches. Furthermore, the actual mechanics of installing electric wiring are reduced to a minimum, because "plug-in" strips are already wired and need only to be connected up in order to be ready for service.

### Many Uses Possible

The external appearance of the new strip permits its use as part of the mop-molding, wainscoting, chair or plate rail while all the necessary corners, couplings, end fittings and junction boxes are available from the manufacturers to permit either partial or complete rewiring of any given extension.

The new method of wiring fills a need that has grown in direct proportion to the use of electrical current for other than merely lighting purposes. Architects, engineers, and builders have been slow to provide outlets for connecting electrical appliances in needed numbers and have often found owners opposed to plans for adequate wiring because of the increased cost. Many users resort to makeshift extension lines, generally installed by inexperienced persons and constituting a real fire hazard. Wiring and insurance inspectors condemn such contrivances wherever found.



**COCOA AND COOPERATION**—Against a backdrop of 30,000 lb. of cocoa beans, representing a single contract, the New York Cocoa Exchange celebrated its tenth anniversary last week. President George Hintz (center) introduced the speakers—Charles R. Gay (left), president New York Stock Exchange, who urged a closer cooperation between security and commodity exchanges, and W. F. R. Murrie, president of the Association of Cocoa and Chocolate Manufacturers.

## Packers in Pickle

**As AAA presses price-fixing case, packers must prepare for wholesale grocers' charge of consent decree violations.**

ALREADY under AAA fire on charges of price-fixing in violation of the packers and stockyards act (BW—Sep 21 '35) meat packers may now have to fight on another front, that involving the famous packers' consent decree.

Wholesale grocers have had a natural interest in seeing that the packers stick to their last and stay out of the grocery business. They were interveners when the packers tried to have the consent decree modified (BW—Apr 8 '31) and were among the celebrants when the U. S. Supreme Court told packers they must stay put (BW—May 17 '32).

### Cases for Suspicion

Recently, the wholesalers have thought they detected signs that the packers were stretching the limit of the decree. The National American Wholesale Grocers' Association has already requested an investigation by the Department of Justice of a big order for packing cases, reputedly placed by one of the "Big 4" and presumably intended for canned corn and tomatoes.

Last week the wholesalers amplified the list of things they want investigated. Under the consent decree the packers are restrained from dealing in various grocery products including spices, sauces, relishes. Wholesalers think this includes mayonnaise, a product which they state is being made and marketed by at least one of the consenters.

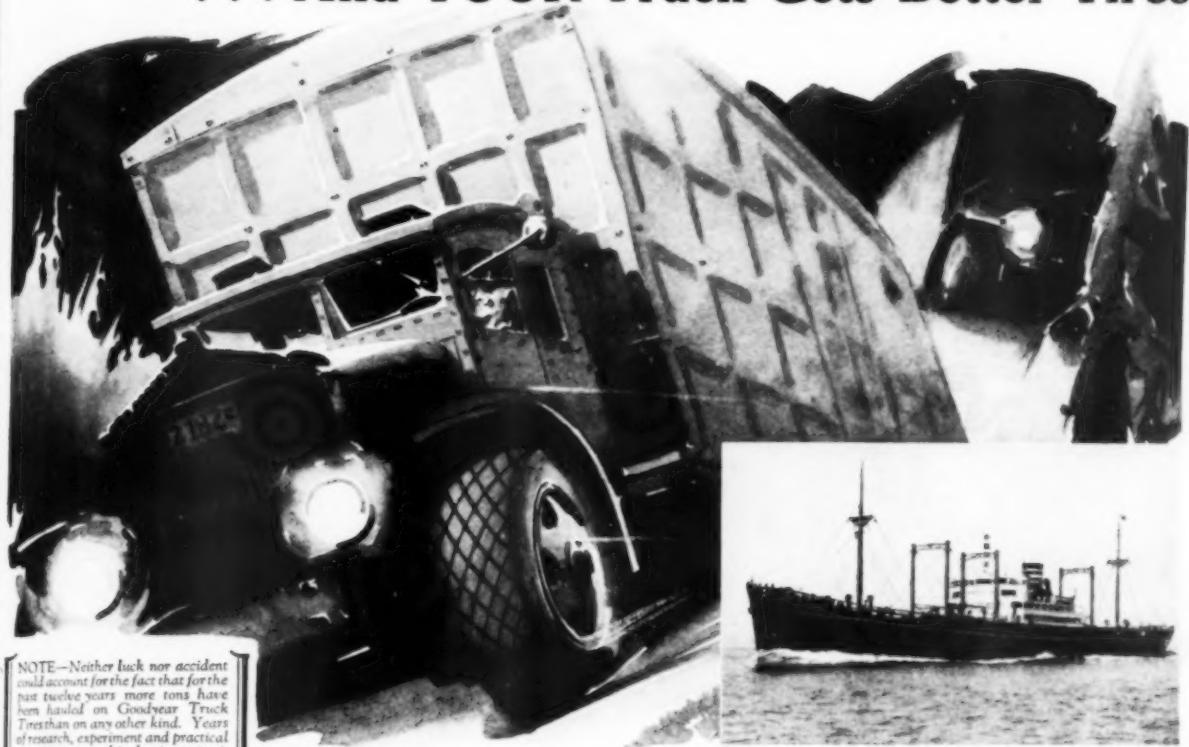
And the same thing goes for tomato juice, which both Swift & Co. and Armour & Co. sell. The decree prohibits packers from handling fresh, dried, or canned vegetables; the wholesalers feel that tomato juice, a concentrate of vegetables, should not be sold by packers. The selling of sauerkraut they think is an out-and-out violation of the decree.

### Fish Story

In addition, wholesalers are troubled by the threat of another attempt to modify the decree. According to report a petition for modification is on the way to the Department of Justice, sponsored by fishery interests who want to use the packers' refrigerator cars for moving seafoods from the Atlantic seaboard to Western states. If that materializes, another interesting legal battle is due.

Meanwhile, the postponed hearing of the AAA price-fixing charges got underway before Secretary of Agriculture Wallace this week. Frank J. Glankler, counsel for the packers, claimed that 60 witnesses had testified that active whole some competition had prevailed at all times in those markets where, according to the government, price-fixing combinations were supposed to have existed.

# Speeding Silk Loads Swayed on Hogback Roads . . . They Couldn't Risk Blow-outs . . . And YOUR Truck Gets Better Tires



**NOTE**—Neither luck nor accident could account for the fact that for the past twelve years more tons have been hauled on Goodyear Truck Tires than on any other kind. Years of research, experiment and practical experience won this dominant position for Goodyear. Constant vigilance holds it. This page recalls one of the many gripping episodes in the never-ending Goodyear quest for ways to build better truck tires.

## SILK . . . a business of minutes and millions!

Vast sums are tied up in raw silk in Japan, China and India. Interest charges mount and markets fluctuate daily. So no time is lost between the Orient and the market in New York and Philadelphia.

The fastest boats speed the raw silk across the Pacific, through the Panama Canal, up the east coast.

Inland 100 to 200 miles, through the mountains of Jersey and Pennsylvania are the mill towns. Here spinners, throwsters, weavers, dyers and weighters are waiting to transform the caterpillar cocoons into market-

able crepes, taffetas, threads, yarns.

When the silk ships dock, trucks take up the precious cargo. Armored fleets dart over the mountains with raw silk, back to the markets with silk ready to sell . . . It's a race from the mulberry trees to the world's Fifth Avenues.

For years—in fact, until 1929—the big armored silk trucks pounded over the mountain roads on solid tires. Pneumatics were faster, but there was the risk of blow-outs. Silk makes a high load. Roads were hog-backed, winding and hilly. As the high loads swayed, beads and sidewalls weakened under the severe stresses—pneumatic tires let go. Silk men couldn't afford any delays with \$100,000 cargoes.

Goodyear engineers went to work . . . They rode the trucks. They studied the tires. They built a truck tire to stand the gaff—with double braided wire bead, with strong, flexible sidewalls of Supertwist Cord, with chemically treated rubber in the body to withstand the internal heat generated at high speeds, with All-Weather tread for safety . . . Now silk travels on pneumatics—Goodyear mostly.

Silk is an unusual cargo. True. But whatever your truck hauls, anything from silk to cement, it's important to you.

*More tons are hauled on Goodyear truck tires than on any other kind—and have been for more than twelve years.*



Fast ships, like the one shown, speed raw silk from the Orient. Armored trucks rush it to processors—then back to the markets. Minutes mean money.

## . . . and Today

Goodyear Truck Tires give you:

1. Freedom from Blow-out
2. Long, Even Tread Wear
3. Positive Traction
4. Longer Tire Life

You get those four great superlatives because only Goodyear gives you all these features: 1. Patented pre-shrunk Supertwist Cord. 2. All-Weather tread. 3. Chemically toughened body rubber. 4. Improved bead. 5. Wide, Batter tread shape. 6. Pima cotton, longest fiber grown.

No other company builds as many truck tires as Goodyear.

No other company builds as complete a line of types and sizes.

Goodyear builds just the right tire for every job—for every purse.

# GOOD YEAR TRUCK AND BUS TIRES

**MONEY  
SAVERS**

© The Goodyear Tire & Rubber Co., Inc., Akron, Ohio

OCTOBER 12, 1935

# Business in the Upturn

## I. The way Jim Hill's Northwest talks business, criticizes politicians, and quotes farm gains ought to clear up any question about whether it is feeling better.

IF the late James J. Hill were alive today, he would be out in that narrow and funny-looking private car of his playing the country squire on a post-harvest tour of inspection of his Northwest empire, to the creation of which he gave so much of his wealth and energy. He would waggle those sandy whiskers of his over many a feed lot fence, deign an occasional grin and concede that his dreams of 40 years ago were reaching fruition. For there is a new spirit and a new prosperity coming over the Northwest in spite of burdens heavier than most sections have had to bear since 1920.

### Hill Wanted More Crops

Mr. Hill foresaw disaster in the one-crop farming of wheat growers in bonanza days. He once bought 400 registered bulls and chartered a boat to bring them from England to be scattered over the farms of Minnesota and the Dakotas. No farmer of that period wanted to be nursemaid to a cow and so they prospered or starved according to the weather and the market. Today the process of diversification is well on its way to completion. There is an actual and potential prosperity in the Northwest that is worthy of special attention from sales managers and, incidentally, from the heads of government relief agencies.

The latter disseminators of aid lent amusement to what at first hand seemed a deplorable state of affairs. Last year government relief and compensation paid to distressed agricultural areas in North Dakota what amounted to \$250 per capita. It is a fecund country and popular estimates are that there are 5 individuals in every farm family in the state. This means an extra cash bonus of \$1250, which is more cash than many of these Dakota farmers have ever seen.

### Mail Order Puzzle

Mail order companies spent most of last year trying to figure out how it was possible to do so much business in North Dakota. Passenger officials of the Northern Pacific couldn't understand why the Great Northern was making such a fine showing in passenger earnings. The answer finally proved to be that the Great Northern ran straight through the middle of that part of North Dakota which was in the greatest distress and logically received the largest amount of relief. The ultimate result was that the poor farmers in the poverty-stricken tier of counties were

flush with money to ride the railroads and buy gadgets from Sears, Roebuck & Co.

The Northwest has survived the depression very well. The government predicts an increase of more than a billion dollars in the value of agricultural production for this year and reports an increase of more than 14% in actual cash income for the first 6 months. The

### Business Report

*This is a report on how business is feeling, what it is thinking about, what it is talking about, and what it is doing in the 4 states of the old Northwest Territory.*

*It is the first of a series of such reports made by the Editor of *Business Week* on the basis of visits, still going on, to key business centers and sections of the country. Another on the Northwest will follow in the Oct. 19 issue. Further reports of similar trips will appear in later issues.*

*During these trips the Editor is talking business, politics, fishing, and, maybe, even philosophy with business men at the top and in the rank and file of a wide range of cities and industries, singly and in groups, in their offices, at their luncheons, in their homes.*

*Out of what he has seen and heard so far he has obtained a definite picture of the recovery in terms of the people who are making it possible. In setting down his impressions here and in future issues he is writing a market report to the boss—who is the reader—which seeks to go behind and beyond the dry statistics to show where business is headed and how fast—and what business men think about it all.*

Northwest will take far more than its proportionate share of these highly welcome gains.

Business in almost every line is showing surprising gains in volume and profits but more important is the new spirit of optimism and confidence that is flowing through the territory. There is an almost universal sentiment that business will continue to improve regardless of the vagaries of local or national politics and regardless of the success or the failure of artificial restrictions or stimulants.

The Northwest has taken more than its share of punishment for two decades.

During most of that time the weather has been especially poisonous. It suffered more than its share from the agricultural collapse of 1920. From the beginning of the Non-partisan League and the farmer-labor movement, it has been more bedeviled by politics than the rest of the country. For some years it was merely punch-drunk. Then it began to develop an immunity.

### Resistance Stiffening

By now, political and economic hazards that frighten the rest of the country merely annoy the Northwest. It has learned to expect nothing better from its own or the country's politicians, but to persevere in spite of them. There is no such unanimity of political opinion among business men in that part of the country as prevails elsewhere but certainly a large majority of them are turning from passive to active opposition to the Roosevelt régime. They are forced to admit that in immediate cash returns the New Deal has been distinctly helpful. On the other hand, they are at least as keen as business men elsewhere, in their fear of regimentation, of destructive agricultural policies, and of debt and tax burdens.

The Administration probably will continue to hold a larger measure of allegiance from the farmers of the Northwest than from those in any other part of the North. Here, as in business, the more successful and prosperous the farmer the more likely he is to resent the turn of Administration politics.

The dominant interest of the section is of course agriculture. The cry of the farmer has always been for markets. His failure to receive what he deemed to be a fair share of the retail market price of the stuff he sold accounts for most of the unrest and radicalism that has marked the political history of the territory in recent years.

### Sign of Improvement

Last week a huge new public stockyard was opened in Fargo, the first to be established in the Dakotas. Governor Welford, a dirt farmer and a non-partisan leader, pledged full cooperation toward the development of the market. It was a gala day in the history of the Northwest. Business leaders from throughout the territory came by the trainload. Farmers came by the thousands, most of them in smart-looking new cars. This may mark a distinct improvement in the relations between business and agriculture and signify a slightly more conservative turn in local politics.

Farm production figures in the territory this year are startling. As compared with last year, gains ranged from 70% for tame hay to more than 550% for rye, with wheat showing a 130% advance, corn 150%, oats 200%, and barley 300%.

Wheat, which is the important cash

# Burroughs

## SHORT-CUT KEYBOARD



### EASY TO OPERATE



Skilled operators prefer Burroughs short-cut keyboard because its automatic features and other advantages permit so many short-cuts to fast operation.



The business man appreciates the utter simplicity and easy operation provided by the Burroughs short-cut keyboard.

Speed comes naturally and without effort on the Burroughs short-cut keyboard.

① Because all ciphers print automatically—thus saving approximately one-third of the work. ② Because only one motion is required to add, to subtract, or take a total—thus eliminating needless motions. ③ Because often two or more keys may be depressed at one time—thus writing the entire amount in one operation. These and other advantages of Burroughs short-cut keyboard are described and illustrated in an interesting new booklet. For your copy, telephone your local Burroughs office or write direct.

**BURROUGHS ADDING MACHINE COMPANY, DETROIT, MICHIGAN**

**ADDING, ACCOUNTING, BILLING AND CALCULATING MACHINES  
CASH REGISTERS • TYPEWRITERS • POSTURE CHAIRS • SUPPLIES**

crop in the territory, is higher than last year, while most of the coarse grains, which are used for feed and seldom move out of the region, are cheaper. This is perfect economy for the Northwest. Livestock and animal products into which coarse grains are converted have shown exceptional improvement in price. The hog quotations have more than doubled in 12 months and everything on the farm from butter to bulls now shows gains running from 20% to 100%.

#### **Future Benefits**

Some good comes out of every disaster and the Northwest will cash in on its benefits for years to come. As a drought relief measure the government bought and destroyed millions of animals last year. For the first time in history both the buyer and the seller are anxious to get the best price possible out of the worst animals. The result is that herds in the Northwest and particularly in North Dakota were almost cleaned of scrub animals and the best stock is left as the nucleus for future herds.

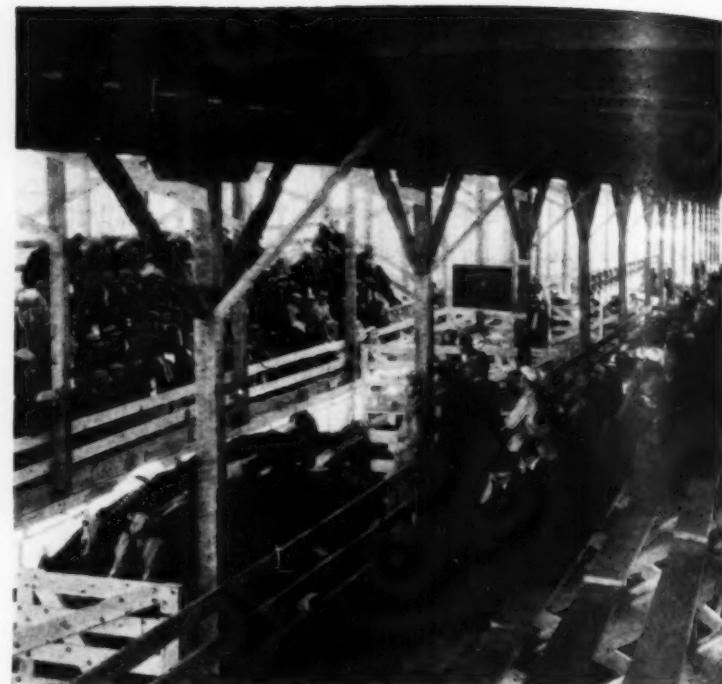
One great crime was committed, inadvertently perhaps, in carrying out this program. More than half the hogs in the territory were marketed or destroyed last year. Now with an abundance of cheap feed and pork prices so high they have occasioned consumers' strikes in several cities, the farmers of the Northwest have pitifully few hogs to fatten for the market.

Minnesota is the prize state in the 4 that make up the territory. This is owing to the fact that the newspapers and the farm papers of the state some years ago took up the campaign for diversification at which James J. Hill had failed. By betting huge sums of their own money year after year, by slowly bringing about cooperation in an unparalleled degree between business and agriculture, the gospel of the cow, the sow, and the little red hen has been sold to Minnesota.

#### **The Map Turns Red**

That state was better prepared than almost any other to profit from the peculiar advantages fate handed it this year. The business map of Minnesota last year showed 16 counties dead white indicating business conditions ranging from poor to miserable, 38 pink meaning fair, and the rest red denoting good business. This year the map of Minnesota is almost solid red with 4 counties marked fair and not one in the state put down as poor.

Politics, the depression, and the weather have done some funny things to the Northwest in the last couple of years and the net of them may yet prove to be favorable. Livestock standards have been advanced 20 years, political conditions promise to be more tolerable, good business seems inevitable.



**RECOVERY ON THE HOOF**—When this first load of cattle went through the Dakotas' first public stockyards, formally opened at Fargo on Oct. 1, there were 30,000 farmers and business men on hand for what they knew was an event of historical significance in the comeback of the Northwest.

## **Instalment Decision**

### **Finance companies win first court battle in drive to overturn Indiana's drastic control law.**

INSTALMENT finance companies are cheered up over the fact that last week a 3-judge federal court, sitting in South Bend, Ind., couldn't see the constitutionality of the new instalment sales act (passed by the Indiana state legislature early this year) and granted a permanent injunction against its enforcement.

From the day of its proposal, this law had drawn the fire of practically every first-rate finance company operating in the state. It provided for such sweeping control of the instalment financing business and imposed such drastic restrictions that efficient operation under its provisions would have been difficult.

#### **Drastic Regulations**

Among phases of the law arousing this opposition were its provision for licensing all companies and practically putting them under the state's department of financial institutions, its obvious attempt to fix rates for the entire instalment industry, and the classification of various types of merchandise for the purpose of rate-fixing. Financing of automobile sales would have been particularly handicapped.

Finance companies realized that if

Indiana succeeded in putting such a yoke upon their freedom, 47 other states would begin to flirt with the same idea. Banks, that were interested in instalment financing directly or indirectly, saw a serious threat to the present plan of procedure and the existing rate structure. Retailers, particularly automobile dealers, feared that the "time" payment plan which helps them sell the bulk of cars might be loaded

#### **G.M. Forces Issue**

General Motors Acceptance Corp. decided to force the issue on the ground that the law constituted price-fixing. Acting jointly with one of the G.M. dealers, the McHenry Chevrolet Co. of Indianapolis, it brought the test case that drew the favorable decision. As time was a factor, the case was taken before a 3-judge court so that it can go from there directly to the U. S. Supreme Court. As things now stand the next move must come from the State of Indiana.

Reports are that the case will be taken to the Supreme Court without delay. Indianaans consider themselves lucky in these matters, because they managed to write the first tax law aimed at chains that survived the nation's highest court (*BW*—May 27 '31). However, finance company lawyers are predicting that the 3-judge decision will stand, point out that the General Motors attorneys skillfully picked the most vulnerable part of the law on which to base their case.

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## Canned Goods Gain

Larger acreage and good growing season swell vegetable pack. Market demand encourages canners.

CANNERS are completing the largest pack of vegetables in the history of the industry. The total pack for the season just closing exceeds 100 million cases—approximately 100 thousand carloads, valued at the factory at \$200 millions. It represents about 20 million cases more than 1934 production.

In normal times this would be bad news in the market place—except to the housewife. But there have been recurrent droughts since 1931, and last year's was severe. So stocks were low as this year's crop began to come in.

### Largest Gain in Lower Grades

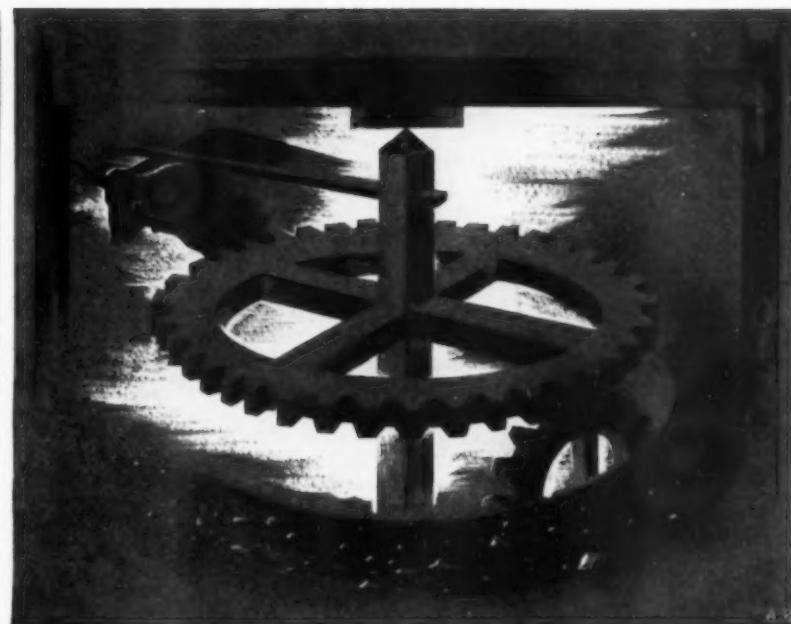
A lot of this season's pack is not first grade. First quality lines are, therefore, expected to continue bringing good prices. The gain in stocks now on the market, reckoned at 10 million cases, is largest in "standard" Grade C stock, which is now in brisk demand for export. In April foreign takings began to bulk nearly 100% greater than in 1934. Canners believe this will be encouraged by the large quantity of grade C vegetables and fruits now available at reasonable prices. It should also be stimulated by the fact that Italy will probably be short of imported foods and have unusual demands for its armies.

The swelling in production figures this season is the result of a 10% to 20% increase in acreage planted. Then, too, ample rains raised the yield per acre. Peas, the most popular canned food, ran 24 million cases this season against an average in recent years of 17 millions; tomatoes bulk 300 thousand tons over normal—and that's a lot of red tomatoes. Corn is running 20 million cases against 12½ million last year. String beans, beets, and asparagus also report big packs.

### New Machinery Orders

So the canners are feeling pretty good, and new machinery orders are being placed in encouraging amounts. The only danger lies in the chance of someone's getting panicky over a large stock on hand and starting to slash prices. But with the market so promising, this hazard is not very real, particularly in view of the fact that the general price level has held low.

Of course, canners are more than a little distressed by the impending FTC investigation of processors' margins and profits with its attendant threat that the hue and cry for A-B-C quality grade labels will be raised again. The death of NRA cancelled their code agreement to establish grading machinery, and of late they have only had to contend with the demands voiced by various federal consumer agencies.



From an authentic drawing of an ancient Persian well and "power pump."

## Moving . . . but not forward

IN RESENTMENT over a question of its progressiveness, the president of a certain industrial concern declared that "through steady adherence to tried-and-true methods" it had "held its own ever since the World War" (though actually during the post-war period it had been outdistanced by several younger competitors).

Holding one's own in business is sometimes called "treadmill progress" . . . moving, but not forward. Its telltale circular path usually indicates that "tried-and-true" methods are often nothing more than old methods, processes, formulas or materials applied over and over—with consideration of the more advanced discoveries of science and engineering.

Steel. How old is the kind you are using today? "Satisfactory" though it may be for the purpose, would not your sales be helped or your production costs reduced if it were still stronger; more resistant to corrosion, shock, "creep," temper embrittlement; easier to weld and machine? Add a very small quantity of Molybdenum to your present steel formula and you endow the material with increased quality in most any direction you may aim. Indeed, "Moly" will improve any iron or steel. A remarkable element, it will even enhance the value or effectiveness of other alloys.

Widely recognized by metallurgists and steel-makers as one of the greatest contributions to alloy history, Moly has something to offer every manufacturer using iron or steel. As a forward-looking executive, you can, no doubt, already envision new commercial advantages through its application to your product. And as such an official, you will be interested, we know, in our new, non-technical brochure, "The A-B-C of Better Iron and Steel." Send for it. Climax Molybdenum Company, 500 Fifth Avenue, New York City.

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CLIMAX  
**Mo-lyb-den-um**  
**INDUSTRY'S MOST MODERN AND VERSATILE ALLOY**

# Back Goes the Butter

**After rushing here last spring, butter now rushes away to a better market with a speed that makes the Treasury's new countervailing duty look a little silly.**

LAST Friday, the Cunarder *Samaria* slipped from her berth in New York's North River, Liverpool-bound. On Saturday her sister ship *Georgic* followed her, but headed for London. Between them, down in refrigerated holds, they carried the biggest cargo of butter borne eastward out of a United States port since World War days—an estimated 750,000 lb.

But the butter was in those many-hooped casks that indicated it hadn't come from Minnesota, Iowa, or Wisconsin. It was butter from Scandinavian and Baltic countries, Holland, New Zealand, Australia, going back to a fat-starved Europe. No appreciable amount of tub or box butter—indicating domestic production—has left this country since the war.

## England Gets Its

England, always the big butter importer, is now the vacuum point in world markets and is sucking to it available supplies from all quarters, including the remnant of foreign butter rushed to these shores last spring when the United States was bare of supplies. This butter was left in dealers' and speculators' hands when the bottom fell out of the domestic market last April. When butter hit 38½¢ in New York, 37¢ in Chicago, 39½¢ in Boston last spring it drew the world's surplus, 21 million lb., in a matter of 5 months, right over the barriers of a 14¢ tariff and a 1½¢ freight.

Green spring pastures ended that. The drought's damage was cured and the flush production season brought new record highs in practically all dairy sections. Domestic prices broke 10¢ within a month, were off 15¢ at the summer bottom. Almost 3 million lb. of the imports could not be sold profitably. It had cost 12¢ to 16¢ before freight and duty.

More than half of the amount has now gone back—to a British market that will pay 23¢ to 29¢ covering the cost, 2-way freight, storage and the British duty, which altogether will mean 19¢ to 23¢.

## More to Go

After the Cunarders shoved off, there was an estimated 500,000 lb. left in bonded storage and approximately as much upon which duty has been paid that will likewise be re-exported if holders can get the payment refunded.

This reversal of shipment direction removes any commercial significance from the news that the Treasury will impose a countervailing duty on Danish

butter to compensate for that country's export bounty. A similar impost against Polish rye has much the same background. A bumper rye crop this year may return this country to an export basis. Hence, it appears the State Department got the Treasury Department to delay levies against agricultural imports until there was less likelihood that foreign diplomats would be stirred up to remind of export subsidies on certain United States exports.

Big butter interests will not say there will be no imports next winter. Production has not kept up to its midsummer promise. Butter was coming out of storage in September when it ordinarily piles up. Current stocks are 25 million lb. heavier than last year, but that indicates a close balance with consumption requirements, since about that amount was imported last year. However, the market will have to bid up to get extra supplies this year.

## Canada Well Placed

Canada appears to be sitting pretty on this commodity, as on wheat, with a large stock and good production prospects at a time when other big exporters

are short. Southern hemisphere production, which is starting upward now toward its December peak, will be far below normal. Drought in Argentina and Australia indicates 20% to 25% less from them. New Zealand may recover normal production after last year's curtailment.

Butter or other fats, in almost all of which world supplies are similarly subnormal, is essential to army rations. Italy is barely self-sufficient normally. Germany and Russia are critically deficient and English stocks are 50 million lb. under last year.

## Potato Debate

**Big potato growers join politicians in charges that Wallace could if he wanted to. Probabilities are that he won't.**

FARMERS from all over the country met in Washington with politicians last week to consider the plight of the humble potato, and the demure vegetable drew fireworks of considerable intensity. The occasion was the usual open hearing on a basic commodity (in which class the potato fell when the Warren bill was passed in the last Congress) conducted by AAA when the commodity gets into a price mess and needs adjusting. Potatoes are undoubtedly in that dilemma.

However, the big bugs of the potato world, including Senator Bailey and



*Harris & Ewing*  
**FOR POTATO PARITY**—Determined to see that funds are made available for enforcement of the Warren potato control act, which was hamstrung by the failure of Congress to pass the third deficiency bill, Senator Josiah Bailey (left) and Representative Lindsay Warren of North Carolina wait their chance at this week's hearings to lay down the law to Secretary Wallace because of his open opposition to their plan for increasing the cash return to potato growers.

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OCTOBER

Representative Warren of North Carolina (the latter author of the Warren potato bill) didn't see any reason for conducting a potato hearing to get the pulse of the producers, and didn't want any shenanigans that would change the existing drastic potato law into a milder adjustment program. In no uncertain terms they accused Secretary of Agriculture Wallace of deliberately dodging his duty and publicly stating that he had no intention of enforcing the present law if he could help it.

#### Poverty Plea

The trouble revolves around money and the spectacle of a New Deal branch professing to be unable to lay its hands on funds. The Warren potato bill provided for nationalizing potato production on an allotment basis, issuing exemption to growers by allotment, and taxing excess production prohibitively, not to mention providing criminal penalties for potato bootlegging. The famous third deficiency bill, filibustered to death, contained the \$5-million appropriation to start the job Dec. 1.

Secretary Wallace, who didn't like the bill in the first place, couldn't seem to find the money for its enforcement after the third deficiency bill was left gasping on shore. He said as much at the hearing. Proponents of the bill retorted that he wasn't looking for the money and would be disappointed if he stumbled on to some. Attempt to settle this diametric difference of opinion degenerated into the "I did"—"You did not" stage very shortly and the potato question got well mashed.

#### Will Use the Excuse

Out of the uproar the following facts filtered. Potatoes are at half parity price and growers are suffering. Large commercial producers want the bill, but they are few. Millions of small growers and millions of consumers don't want it. Commercial growers put it through Congress. Then an outcry went up from the countryside against the Prohibition characteristics of the measure and people began to offer to break both the buying and selling provisions of the law. Meanwhile, the lack of immediate funds gave AAA an excuse for not launching the law and a little time to try to have producer sentiment swung around to an adjustment program. The best bet is that AAA, in the end, will let the potato alone.

## Shows Dealers How

Candy manufacturer uses comic strip technique to coach dealers.

A NEW application of the "comic strip" advertising device is employed by Peter Paul, Inc., Naugatuck, Conn., makers of "Mounds" coconut candy bar. Boxes which carry the product to the trade

## D I V I D E N D S

### 125% Sales Increase Followed the Advertising

The advertiser was not small, not new in business, nor new in advertising. It was firmly established in the industrial field, with distribution in 25 states.

With no change in its 50-year-old product . . . no change in the sales set-up . . . nothing different but its advertising and its sales promotion department . . . inquiries from responsible industrial executives jumped from practically none in 1933 to more than 4,000 in the first nine months of 1935; active dealers increased 210%; and sales more than doubled (which is more than three times as good as the showing of that industry as a whole).

That is the kind of advertising that pays dividends. It was handled by Ketchum, MacLeod and Grove, Inc. If you are interested in advertising that pays dividends, let us show you what we can do.



**Ketchum, MacLeod & Grove, Inc.**

*Koppers Building, Pittsburgh, Pa.*

**A D V E R T I S I N G**



*Business Week*

**PORTRAIT OF A PIECE OF STEEL**—Taking a picture of the world's largest stainless steel sheet turned out to be pretty much the same kind of a job as taking a picture of a mirror. As a result, the photographer and the workmen all got in the picture. American Rolling Mill Co. turned out this record-breaking steel reflector for display at the National Metal Congress in Chicago.

also carry sound merchandising instruction in a painless form.

Each box cover is illustrated by a strip in which a wise old merchant impresses on his son the difference be-

tween a storkeeper and a modern merchandiser. There are 6 episodes, one to a box. Each coaches the retailer on such points as effective display, stock maintenance, turnover increase.

## Motor Truck Parade

**New truck models combine smart design with utility. Meanwhile, sales records are crowding 1929.**

WHILE the general public is watching for the 1936 passenger automobiles, the truck section of the new-model parade is starting to come down the avenue under the eyes of business.

Chevrolet is introducing new trucks which reveal that the truck builders have taken a leaf from the passenger car designers. Outward appearance has been made swankier by horizontal hood louvres, V-shaped radiator grille, chromium-plated bumpers, steel-trimmed cab doors, smart interior fittings.

Hydraulic brakes (on half-ton models) and full-floating rear axles are new mechanical features. Axle bearings are of the new barrel type (made by Hyatt) which have never before been used on automobiles. Prices are substantially the same as last year.

### Invade Lower Brackets

Truck-builders continue to dip down into the lower-price market with snappy models in an effort to secure a greater share of the available business. Reo recently announced a new half-ton truck at a chassis price of \$445, a reduction of \$50. The complete vehicle, with panel body, is \$685. White Motor Co. is in

full production of its "White 704," claimed to be the first fully streamlined truck, with chassis and body designed by Count Alexis de Sakhnoffsky, internationally-famed industrial stylist. Having the smart look of the newest passenger car, this truck is powered with a 6-cylinder engine with Stellite valve seats, boasts the first automatic air-conditioned cabs. White hopes in 1936 to build 15,000 in the 1½-2 and 2-3 ton field.

Meanwhile, truck manufacturers are entering the final stretch of 1935 with a good chance of beating their 1929 performance, when they sold 527,057 units. Records have been toppling like tenpins in recent months. Truck registrations in the first 8 months totaled 355,661 units, as against 373,692 in the same period of 1929 and 273,024 in the January-August period of 1934 (also a good year). The 4 leaders sold 92% of all trucks. Totals were:

Ford	131,816
Chevrolet	121,358
Dodge	39,755
International	34,970

These figures do not include federal government purchases of some 25,000

units, of which around 19,000 were Chevrolets.

Due to the bank holiday in March, 1933, the peak sales month for trucks shifted from the first half to the last half of that year and for some inexplicable reason has stayed there. Last year October was top month, and this year the industry has high hopes for the entire fourth quarter. Chevrolet and Dodge both set all-time truck sales records in August, while Studebaker reports the past 5 months the best in its history. August, with 50,555 registrations, fell a little shy of the total of 51,243 units of the July peak.

### Farmers Lead the List

Best part of the industry's spectacular success has been the small part that direct government spending has played, federal purchases not having been more than 10% of the total. One key executive points to renewal of buying by farmers as the biggest single factor in recovery of truck sales. Farmers, who constitute the largest single group of truck owners, are replacing their old contraptions. They also are spending more money for other goods, enabling merchants and manufacturers in other industries to buy trucks.

Biggest percentage gains in truck sales this year have been in agricultural states. Commercial haulers and small merchants have been good sources of business. The foreign market, too, has been a stimulant, taking 107,297 of the 508,356 trucks produced in the United States from January through August.

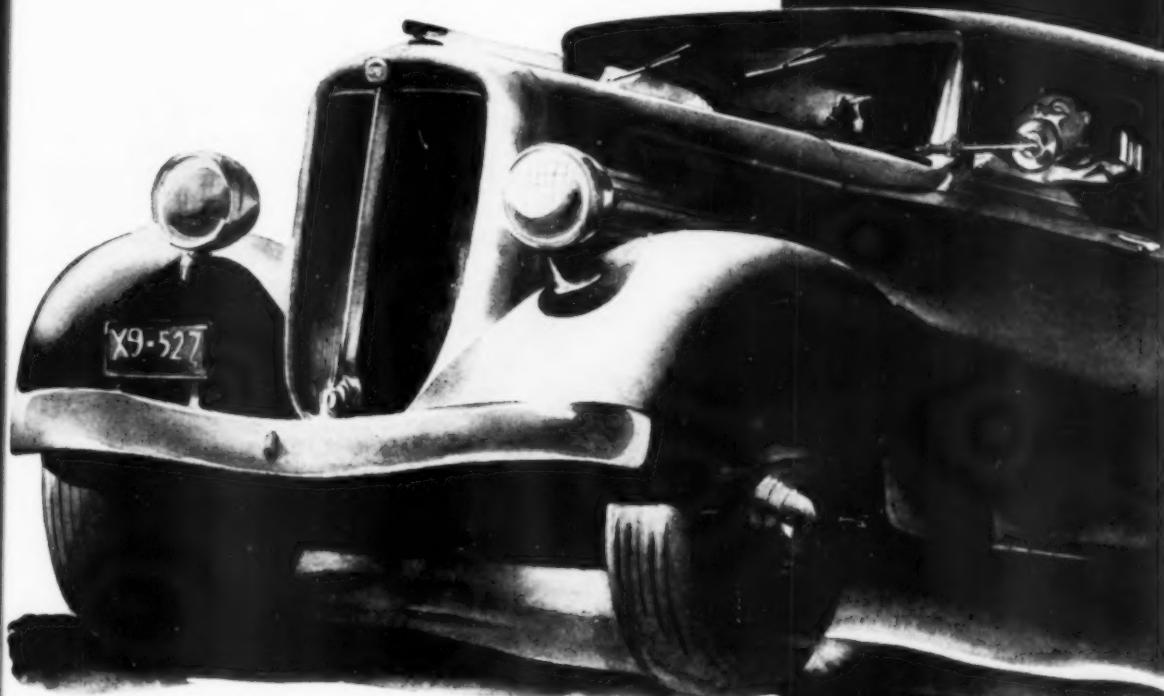
Heavy-duty truck makers haven't fared so badly, although their recovery hasn't kept pace with that of light truck manufacturers. Studebaker, for example, reports largest increases are in the heavier types.

Truck executives confess that they can't expect the sales tide to mount to much further heights in 1936. They will be pretty well satisfied if the industry maintains its 1935 volume (and they fully anticipate that). Wherever they figure gains for next year, it is mostly at the expense of competitors.

### Replacement Market

One reason for optimism, and probably responsible for part of the industry's remarkable recovery, is that trucks today cost little more than half as much as they did a few years ago, yet will carry a load 3 times as great (as pointed out by Federal Motor Truck Co.). Another reason is that more passenger car dealers, seeing profit opportunities in truck selling, are cultivating the commercial car market. A third reason, cited by a Dodge executive, is that even the present accelerated rate of truck purchasing is making only small inroads on the potential replacement market represented by trucks worn out in the past 3 or 4 years of conservative truck buying.

# THE TRUCK FEATURE OF THE YEAR!



## GMC Dual Performance Saves Gas, Oil, Time and Wear!

"One of the few major truck improvements of the past ten years," says one operator! "In our operations dual performance works out to perfection," says another! And from still another user: "Does more work with less gas".

Think of saving as much as 28% on gas. Think how much lower upkeep expenses will be because of reduced wear and tear on engine and other driving units. And in addition to these important savings, the GMC Dual Performance axle assures more effective use of power—the truck will climb a steeper grade, travel faster on the level and handle full loads

easier. Too, Dual Performance gives better pick-up in traffic, which in combination with greater speed and power, reduces running time, enabling the truck to do more work per day.

Get all the facts about GMC Dual Performance—available in the 1½-2 ton and 2-3 ton ranges. Learn, too, the many other reasons why profit-minded operators are swinging to the many-feature GMC trucks of value. Whatever your hauling needs may be, there's a correctly engineered GMC truck or truck-with-trailer to fit exactly. Capacities range from 1½ to 22 tons.

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1½-22 TONS

THE TRUCK



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Neenah Business Stationery is available through your printer. A good way to find just the right letterhead is through a study of exceptionally fine letterhead design. "Distinguished Letterheads" and other Neenah booklets and folders contain many excellent examples. You can get them without cost by writing to Neenah Paper Company, Neenah, Wis.

**MAMMY SINGER?**  
**NO!** It's the bookkeeper expressing his gratitude to the office supply clerk. After five years of "economizing" with cheap, flimsy ledger papers, the office supply clerk finally learned the real economy of tough, durable, workable, rag-content papers, and ordered Stonewall. Neenah Paper Company, Neenah, Wis.

**NEENAH STONEWALL LEDGER**

75% NEW RAG CONTENT

NEENAH PAPER COMPANY  
THE BEST PAPER IN THE WORLD

## Show Boat

Rice-Stix Dry Goods Co. varies *Merchandise Express* idea by chartering Mississippi steamer to sell goods from St. Louis to the sea.

THE brightest traditions of St. Louis derive from the days when a vast commerce rattled over her cobbled levee. There miles of packets gathered from every stream in the great valley. Now Rice-Stix Dry Goods Co., big wholesale and manufacturing concern of St. Louis, rouses the memories by chartering a Mississippi "show boat" to display and sell its merchandise on a 1,200-mile run to New Orleans.

The steamer *Capitol* becomes a floating sample room for all Rice-Stix lines. Merchants from territories near the river will be invited to come aboard at important towns. Forty salesmen will make the trip. District drummers will reinforce them. Runs will be made at night so that daytime can be devoted to selling. A calliope (authentic adjunct of all show boats) will announce the approach of the steam and enliven her hours at the docks. It will be spelled by a band.

The show boat is an extension of the *Merchandise Express* idea used this year by Marshall Field (BW—Sept. 7 '35). This 11-car train, carrying full displays of Field's wholesale lines, has proved an effective order-getter.

## Buses Speak Up

**ICC is told it must consider the bus lines in passing on railroad fares. There's a law now.**

WHILE the railroads continued to squabble about a reduction in passenger fares, bus operators have admonished the ICC that, under the new motor carrier act, it now has to consider their welfare. As rail and highway transportation are now equal in the eyes of the law, the commission's duty, as pointed out by Ivan Bowen, counsel for the National Association of Motor Bus Operators and the Greyhound Lines, is to make reasonable rates and not rates designed merely to enable the railroads to meet competition.

"It is not the function of this commission, in the light of the motor carrier act, to snatch traffic from the highways and put it on the railroads, just because the railroads need more revenue. If this should be done what would the commission do when faced with the problem of increasing highway traffic because bus operators would need larger revenues?"

In final argument in the investigation in which the commission's examiner, Irving L. Koch, has recommended a reduction of the standard rate of fare

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from 3.6¢ a mile to 2¢ in coaches and 3¢ in Pullman, several members of the commission flirted with the idea that, with transportation available to everyone, the value of railroad service is less. The commission evidently sees the private automobile behind the bus as the competitor of both bus and train.

With the exception of the Baltimore & Ohio, the railroads asked the ICC to refrain from entering an order at this time. Eastern roads oppose any change, asserting that the demand for lower fares is taken care of by special reductions and that there is no point in cutting under 3.6¢ when the traffic will bear it. New York Central and the Pennsylvania urge that B.&O., which does only 5% of the passenger business

in Eastern territory, should not be permitted to impose its judgment on other roads.

With some prospect of returning business, Southern and Western roads prefer continued experimentation at various rate levels to a flat reduction in the standard rate. Atlantic Coast Line thinks that maybe Southern's 1 1/2¢ rate is too low, would like to see a 2 1/2¢ rate tried out. The Coast Line argues for a standard Pullman rate of 3¢. To the Southern, which doesn't run into Florida over its own rails, the coach rate is the important factor. Western roads report encouraging results from their 2¢ one-way and 1 1/2¢ coach and 3¢ Pullman rates, but don't want the ICC to freeze their rates yet.

## Investment Bankers Organize

### New setup to work with SEC can achieve large measure of self-government in securities business.

INVESTMENT bankers are finally getting into action on a substitute for the code that passed out with NRA. Some 3,200 investment bankers were pretty comfortable under the code and 90% of them, by recent canvass, indicated that they would like to see a strong body formed within the trade to continue the regulatory and disciplinary work and extend it to handle the necessary cooperative business with SEC.

SEC has the same idea. Hence, last week a new top committee of investment bankers met in New York and began to build downward into sectional

subdivisions, laying the groundwork for an organization that will serve much as the business conduct committees of the large stock exchanges do. In addition, it will form a group which can and will express the opinion of the investment banking fraternity as a whole and fight whatever outside battles there may be to fight.

James Landis, chairman of SEC, set the tune of the new structure in a letter written to B. Howell Griswold, elected chairman of the investment bankers conference committee, as the new group is called. In effect, Landis



BEHIND THE VANS—These are the men who lent their names and their capital to the Van Sweringen brothers when a defaulted Morgan loan put the big railroad empire on the block a fortnight ago. George A. Ball (left) of Muncie, Ind., is one of the Ball Bros. of Mason jar fame. George A. Tomlinson of Cleveland is the biggest operator of boats on the Great Lakes.

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If the man who works for you dies, his family will still need a livelihood.

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## How to Make Letters Work

New second edition, fully revised, of Lawrence C. Lockley's well-known book.

### Principles of Effective Letter Writing

440 pages, 6 x 9, \$3.00

Now thoroughly revised and enlarged with up-to-date material and new illustrative letters, this book gives you:

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This is one of the few books on letter writing that gets down to cases, and gives real facts rather than academic suppositions. Covers problems of the general dictator, correspondence, correspondence to various credit men, etc. Section on sales letters comprises a complete, concise manual of direct mail. See it on approval. Send this coupon.



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330 W. 42d St., N. Y. C.  
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FBW 18-12-25

# WHEN DEPRESSION DESTROYS VALUES

**P**AYING claims is what we expect from an insurance company, but a real test of an institution's strength and stability is applied when financial upheavals disrupt business, for then extraordinary strains must be resisted—business shrinks in volume, while usually there is an increase in losses resulting from fire and many other causes.

There have been 14 depressions or panics in the United States since the Hartford Fire Insurance Company was chartered in 1810.

1837, 1848, 1857, 1873, 1893, 1907, these are dates that recall the more desperate periods successfully survived by the Hartford, times that contributed much to the reputation of the Hartford.

Wars, conflagrations and financial depressions are tests which prove strength and stability. The Hartford's record is one of successful survival. Protection in the Hartford carries with it a sense of security—peace of mind.

*If you want Hartford nation-wide insurance, or if you are insured in the Hartford and while away from home suffer a loss, call any Western Union office in the United States, or the Canadian National Telegraphs, in Canada, and you will be given the name of the nearest Hartford Agent. If a broker handles your insurance, ask him to procure for you a Hartford policy.*



## HARTFORD

**HARTFORD FIRE INSURANCE CO.  
HARTFORD ACCIDENT and INDEMNITY CO.  
HARTFORD • CONNECTICUT**

*Write practically every form of insurance  
except life insurance*

recommended that the work and ideas of the former code committee, as well as the personnel, be perpetuated in a voluntary group.

It was specifically stated, of course, that the voluntary body could be given no recognition as a legal arm of SEC. Nevertheless, having close working agreements with SEC, the investment banking committee might take upon itself a large share of the trade's own regulation.

### Expulsion Power Potent

As the project stands, many of the former code committee members are in the new committee. At the organization meeting last week the country was blocked out into regional districts, each with a subsidiary committee of its own. Presumably the only actual power the heads of the system will have will be that of expulsion from membership, but, as demonstrated by the stock exchanges, that can be pretty formidable.

SEC will be tickled if the investment bankers get together in this fashion to handle themselves. Regulation of the country's over-the-counter business is SEC's toughest problem.

In separating the sheep from the goats in the initial over-the-counter line-up, SEC says it is making invaluable use of a list of 30,000 names that is a hangover of the boom days when fake stock salesmen were crowding each other off the streets. Local and state officials, as well as gyped customers and Better Business Bureaus, are adding to the list. The aim is to make registration as valuable a commodity as possible, and to keep the old wildcatters out.

### Coaxial Rumor

**Bell System denies report it will drop television line.**

LIKE the premature report of Mark Twain's death, the newspaper rumor that American Telephone & Telegraph Co. intends to drop its New York-Philadelphia coaxial cable is greatly exaggerated. Assurance that the Bell System is going ahead with its plan comes from headquarters. This will be good news to waiting television fans.

The coaxial cable is a copper tube carrying in its center a copper wire supported by frequent rubber insulators (BW—Jun 8 '35). Not only can it carry television of good definition over the original stretch, but one such circuit is able to transmit 200 simultaneous phone conversations. Cost of the line will be around \$500,000. The FCC order authorizing construction of the cable provided that it should be available to all television experimenters. While the Bell System is not happy over some of the FCC regulations, it feels that all bumps can be ironed out.

## Waterfront War

Pacific Coast business counts mounting loss in waterfront strike. Peace seems long deferred.

PACIFIC COAST business views with alarm growing evidence of the disastrous effects of protracted waterfront strife.

United Fruit Co. has withdrawn all its ships from the West Coast because of the maritime situation centering in San Francisco, where shipyard workers have already lost the equivalent of 5,300 man-days' employment as a direct result of this withdrawal. Annual port payroll of United Fruit in San Francisco alone runs \$3 millions. Pacific Steamship Co., after 70 years' operation, has abandoned both passenger and freight services because of its "inability longer to meet the unreasonable demands of labor agitators," and has filed a bankruptcy petition. Los Angeles Steamship Co., operating passenger and freight ships between that port and San Francisco, has withdrawn passenger services running since gold-rush days. Other steamship lines are reported ready to drop San Francisco as a port of call.

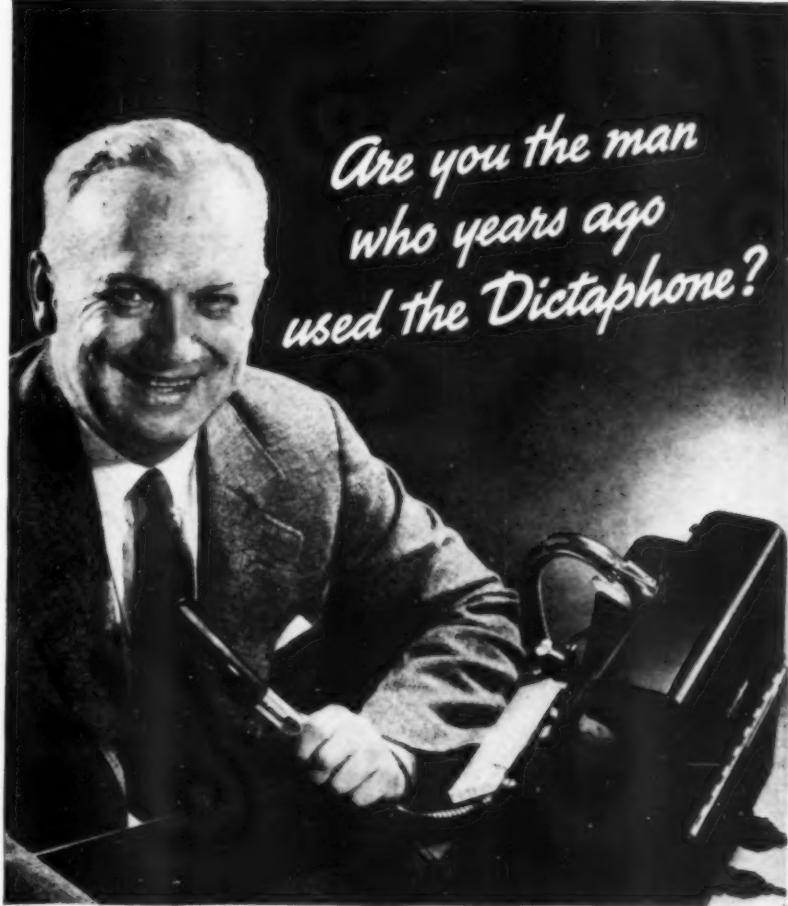
Meanwhile, the apparently interminable struggle on the waterfront continues. Employers are more determined than ever to force official acceptance by the International Longshoremen's Association of the Sloss ruling which obligates longshoremen to handle "hot cargo" (BW—Oct 5'35). In this they are encouraged by Assistant Secretary of Labor McGrady.

Attempted evasions by men are being promptly pushed aside and a showdown demanded. If and when that issue is settled, employers will bring up the next question, involving joint control of hiring halls, then the 6-hour day clause and so on until a ruling has been obtained from Sloss on each point in the award and his decisions officially accepted by I. L. A. But there is no hope of peace for many weeks.

### Pigs Into Petrol

BARTER is the life of trade for the Washington (Iowa) Oil Co. Back in 1931 it began taking farm produce for motor fuel units. While the market for corn was 15¢ bu, it allowed the farmers 20¢. The corn was ultimately liquidated at 46¢. Last year the Washington Exchange Co. was formed as a bartering auxiliary. It operates from 500 rented farms.

The barter company takes farm machinery, produce or livestock for past debts or future credits. It gives a check to the parent oil concern, then cashes the trade-ins on the available market. One farmer who thought he had bested the company in a shotes-for-gasoline deal discovered later that the pork had been sold to one of his neighbors at a profit. An accessory benefit from such trades is that the customers don't haggle for discounts as they do on cash sales.



*Are you the man  
who years ago  
used the Dictaphone?*

"DICTAPHONE engineers have been more alert to the needs of modern executives than most of us realize. The clarity of tone of the Model 12 which I use, the ease with which I make corrections, the time-saving, fatigue-preventing features of the Dictaphone which my secretary uses, simply can't be compared with the early Dictaphone which I used years ago."

Every day dozens of executives who feel perfectly familiar with the Dictaphone because they tried it 12 or 15 years ago, tell us that this modern dictating instrument seems like a new invention to them. If you have put off enjoying the profit-making, time-saving features of Dictaphone, you owe it to yourself and to your business to find out how true it is that it doubles a man's ability to get things done.

Upon request, we shall be glad to loan you Dictaphones which you may use in your own office, in your own way. Thousands of executives will tell you that it is the easiest, most profitable convenience for getting things done that they have ever used. The Dictaphone office nearest you awaits your phone call or letter requesting such a loan. Phone or write them today.

#### THE NEW MODEL 12

# DICTAPHONE

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

BW-12

Dictaphone Sales Corporation  
420 Lexington Avenue, New York, N. Y.  
In Canada—137 Wellington St. West, Toronto

I want to see your representative.

Please send me your Nuphonic Progress Portfolio.

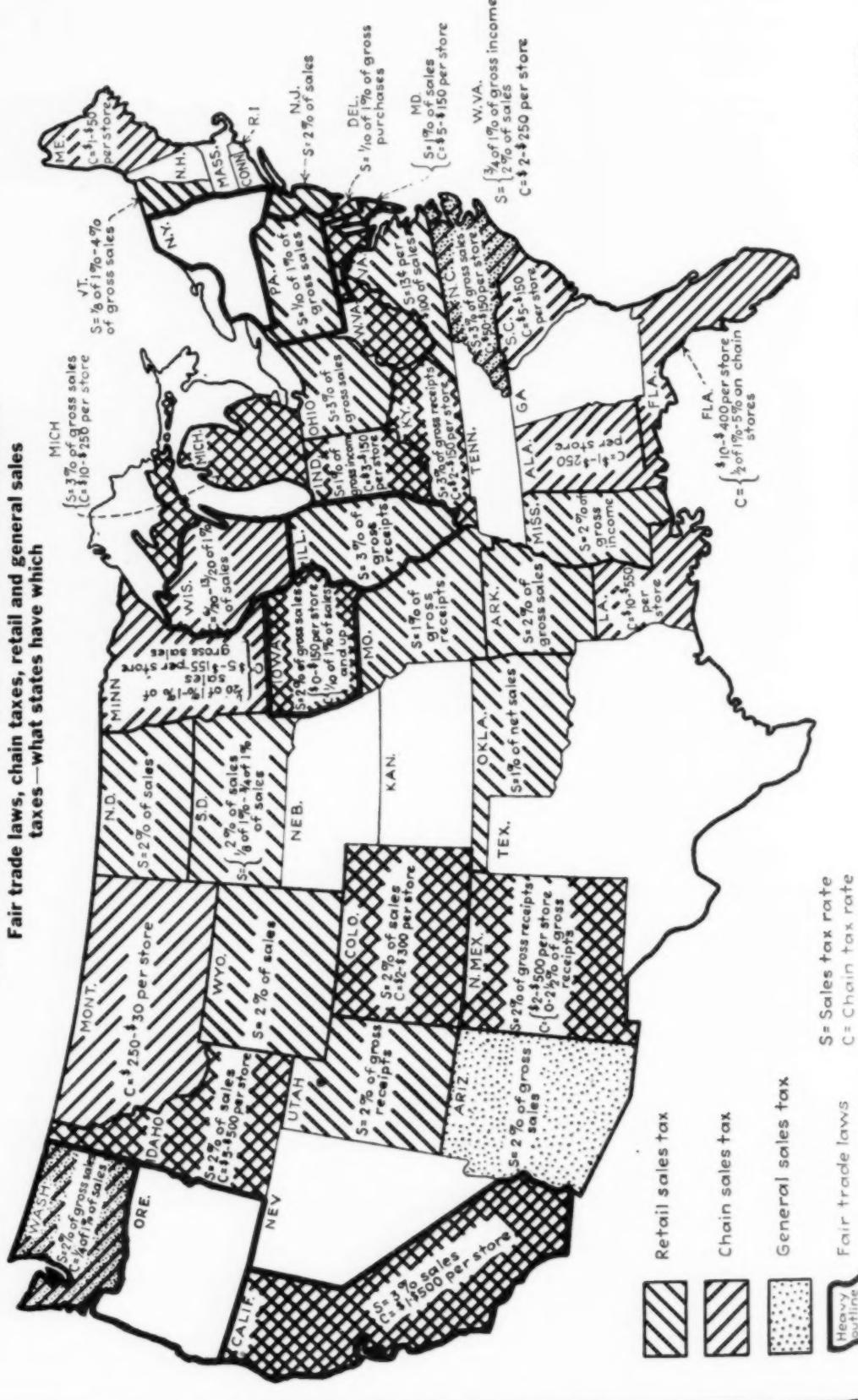
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Company \_\_\_\_\_

Address \_\_\_\_\_

## OBSTACLES IN THE SALES TERRAIN

**Fair trade laws, chain taxes, retail and general sales taxes—what states have which**



**CAMPAGNIA FAIR TRADE LTD.** of various kinds destined to educational, research, and industrial purposes, and to the promotion of the welfare of the people. The Company has a large number of shareholders, and these include, amongst others, the following:—

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## Appliance Sales Up

Rate reductions force power companies to put on sales drives and boost household consumption.

ELECTRICAL household appliances are booming this year. Latest figures for the country, compiled by *Electrical Merchandising*, show unit sales for refrigerators during the first 8 months totaling 1,369,861, a 13.8% gain. Sales figures for other appliances follow:

Appliance	No. of Units (8-month totals)	% Gain
Electric clothes washer	821,280	2.1
Gas-engine-driven clothes washer	127,204	55.8
Ironing machines	93,535	13.0
Floor vacuum cleaners	561,512	24.5
Hand vacuum cleaners	182,508	29.6
Oil burners	52,344	36.5
("month totals")		
Electric water heaters	38,286	60.8
Mechanical stokers	11,362	91.4
(6-month total)		
Electric ranges	105,048	64.0

The utilities have been pushing the sale of appliances. Nothing makes a man step like the wolf's hot breath on the back of his neck. Those government power projects, Ickes' loans for municipal plants, soaring taxes, and political pressure on the price of electricity have brought a wave of rate reductions in the past year. Lower rates mean smaller revenues, so the utilities have gone to work to sell more appliances and build up domestic consumption.

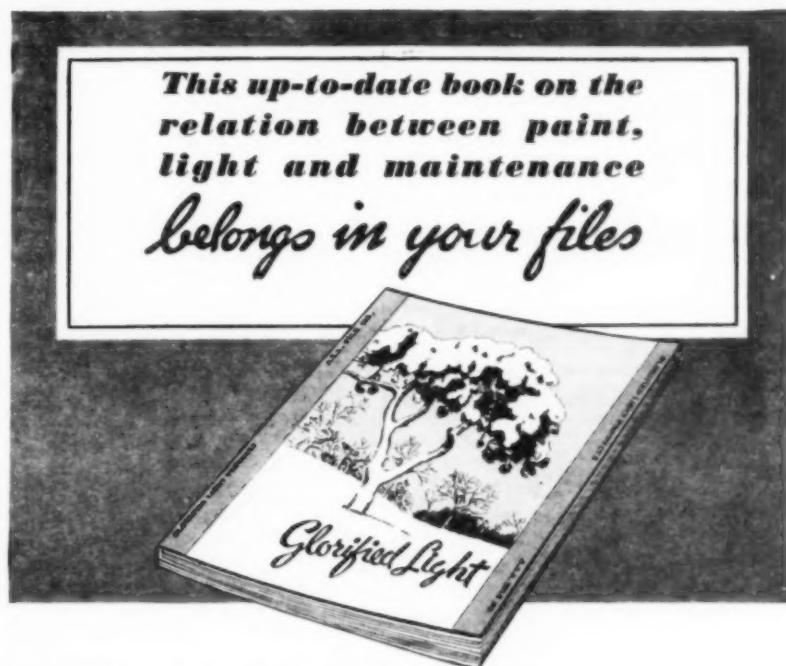
A study of the merchandising activities of some 100 leading power companies serving over 10 million homes—more than half those in the country—has recently been finished by *Electrical World*. It covers the first half of the year and shows that power company appliance sales exceeded those in the same period of 1934 by these percentages—refrigerators 29, ranges 68, water heaters 82, vacuum cleaners 2, and miscellaneous small appliances 15. They sold 9% fewer clothes washers and 7% fewer ironing machines.

### Rentals Increase

This year 15 utilities rented 5,117 electric ranges and 3,689 water heaters, an increase of 73% and 241% over rentals in the same period last year. Also 5 companies rented 1,557 small refrigerators this year to minimum bill consumers, an entirely new idea for making these customers profitable.

The bulk of the volume is expected to continue flowing through dealers' stores, but the creating of this accelerated public demand is up to the power company. Experience shows that this kind of market development can be best accomplished where the utility gives active leadership in promotion, provided it gives the dealer equal opportunity in price and terms of sales.

# NEW LIGHT ON BETTER LIGHTING



THE high cost of low visibility in factory and office has been receiving more and more attention—manifest in the general study of "Better Light for Better Sight."

One of the most important contributions to this study is the book published recently by the Paint Division of the Pittsburgh Plate Glass Company, entitled "Glorified Light." It belongs in the files of every executive concerned with production or plant maintenance. You may have a copy without charge by sending the coupon below.

### Three new systems of interior finishes

The book, "Glorified Light," describes fully the three new systems of interior finishes developed by Pittsburgh, known as "Glorified Light Products." All these finishes are designed to convert raw light economically into useful light, through proper diffusion in the highest attainable degree. There are three separate

systems because no one type of interior finish can bring both better light and lower maintenance costs for all types of interiors.

THE SNOLITE SYSTEM is a line of superior whites—Flat, Eggshell, and Gloss—for all normal interior exposures.

THE SNOTEX SYSTEM is for all abnormal interior exposures except where fungus may be expected. The highest attainable resistance to yellowing or discoloration in the presence of humidity, fumes, gases, heat or unusual absence of daylight.

THE FUNGUSIDE SYSTEM is for use where fungus exists or may be expected. Of especial importance to bakers, brewers, distillers, cheese manufacturers, dairymen, packers and others who must wage a constant battle against bacteria, mold, or other types of fungus.

Complete information on these three systems may save you a great deal of money. The coupon brings your copy of "Glorified Light."

PITTSBURGH PLATE GLASS CO.  
Paint Division, Dept. 110  
Pittsburgh, Pa.

Please send me a copy of your new book,  
"Glorified Light."

Name \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

**Modern Marvels**  
in  
**Industrial Finishing**

**ZAPON**

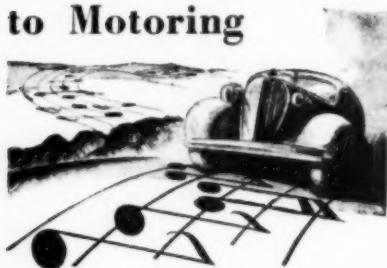
Over half a century ago, Zapon, the first pyroxylin lacquer, was introduced as an improvement on "japan finishes." For fifty years, Zapon lacquer materials have constantly expanded in their qualities and uses. Nowhere have the wonders of the modern chemical laboratory shown to better advantage than in the increase of Zapon's applications.

Zapon has continuously expanded, developing important finishing practices in industry after industry and making quantity production possible where it was only dreamed of before.

Zapon is another example of the Atlas policy of continually striving to aid industrial progress through the introduction of product improvements and methods of application.



## MALLORY added the Musical Note to Motoring



Automobile radio was a dubious, if interesting, experiment when Mallory engineers interested themselves in its possibilities. Today, as a result of the development of the Mallory Vibrator, all-electric radio brings enjoyment to over a million and one-half motorists who now have music wherever they go.

Other Mallory achievements are equally significant in highly diversified industries.

**P. R. MALLORY & CO., Inc.**  
INDIANAPOLIS  
INDIANA  
Cable Address—Pemallo

**MALLORY**

PARTS FOR RADIO, ELECTRICAL,  
AUTOMOTIVE AND INDUSTRIAL FIELDS

## Store Comeback

**Hearn's no-profit and customer-dividend policies add new notes to department store selling.**

WHEN Maurice Levin, former molasses operator, decided to try the department store field in 1932, New York's 14th Street was considered too dead ever to stage a real comeback. The 105-year-old Hearn store which he took over was having difficulty in keeping open; almost all department stores were dipping heavily into red ink. Mr. Levin decided that unusual conditions demanded unusual policies. One of his first decisions was to plough back profits—if any—into bigger values as a means of rebuilding good will.

### Dramatizing Job

Last year Irving Price, who had been brought up in the promotion departments of R. H. Macy & Co. and Sears, Roebuck & Co., came in and sold Mr. Levin on the idea that the no-profit policy needed dramatizing. He also sold General Hugh Johnson, Alfred W. Smith, and other prominent citizens on the idea that by endorsing a no-profit store they could help recovery and stimulate employment. Subsequently their pictures and endorsements appeared in full page Hearn newspaper advertisements (BW—Sept 134).

What that announcement did to Hearn's sales volume has made new history in retailing. Store sales doubled almost overnight. The staff of employees grew by leaps and bounds. Departments had to be enlarged. Mills had to work nights to fill Hearn's orders.

At the end of that no-profit year Hearn's had piled up a sales total that established a new record in the field for year-to-year increase. Public patronage and good will had been increased, but the time did not seem ripe for beginning to take profits.

### Dividend and Bonus

Hearn's then decided to use a new device for getting business—a "dividend" for customers. Still pledging itself to keep prices low, it has promised that, after sales pass above a specified total and until Dec. 31, it will set aside 10% of sales and split that amount up so that 90% will go to customers in proportion to their purchases during the period, the remaining 10% to Hearn employees as a bonus. For instance, on a \$3-million excess above quota, the customers would get a "dividend" of \$270,000 and employees \$30,000.

First publicity move was to get New York's Mayor LaGuardia to endorse the plan on the condition that he could appoint his own certified public accountants to go over Hearn's books and make sure that advertised promises would be kept. The first big advertisement of the campaign carried his picture and en-



**READY TO TAKE OVER**—Mortgage bankers at their annual meeting in French Lick Springs, Ind., last week declared against continued government operation in the field of farm and realty mortgages, elected L. A. McLean of the Southern Trust Co., Louisville, to head up their association program for the coming year.

dorsement. It was followed by similar pictures of and statements by Vice-President Garner and Henry Ford.

No accurate figures are available for publication but 2 comparisons will suffice to demonstrate the sales-boosting effect of those no-profit and dividend campaigns. When Mr. Levin bought Hearn's, its annual sales volume was reported at less than \$2 million (about \$5,000 per day); its budget of sales for the last 4 months of 1935 is set at \$9½ millions (at the rate of over \$2 million annually) and sales for the first month under the dividend plan ran far ahead of the same month of 1934 and well ahead of the budget. When Mr. Levin came in, there were between 300 and 400 employees on the Hearn payroll; today there are over 2,200.

### Repairs Come First

Mr. Levin's argument on no-profit selling and customer-dividend is that "when a store has been neglected, a smart merchant first builds up by doing the utmost for the customer and waits for his own profit until business gets rolling."

Other store heads point out that Mr. Levin owns 100% of the Hearn stock that Hearn's, unlike many other department stores, is no longer supporting any second- or third-generation non-productive payrolls, family dynasties, or banking controls. They say that makes a difference.

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## New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

BROWN INSTRUMENT CO. announces a complete line of new Air-O-Line air-operated controllers for temperature flow, pressure and liquid control in manufacturing processes. They have a completely and easily adjustable throttling range dial, automatic fully-adjustable reset dial, and all control mechanisms hermetically sealed.

For making plate glass tops stay put on desks, sales tables, or display stands without marring them, the Franklin Glass & Mirror Co. offers cushions of sponge rubber, having an adhesive compound on side in contact with glass.

THOMAS A. EDISON, INC., offers battery dealers and service stations the Edison Battery Selector, a patented device patterned after the well-known slide rule, which facilitates determination of the exact type and size of storage battery necessary to meet the requirements of any given car or motor, particularly taking into consideration added loads, such as horns, cigar lighters, and radios, not considered in original equipment.

THE Bates Department of Bliss Fabian & Co. announces for textile products a line of monograms which have a thermoplastic backing, and are attached to the finished article as needed by the Parfek process and a General Electric flat plate ironer. Retailers have found the offering of easily attached monograms for certain personal and semi-personal articles a valuable sales stimulant.

WALTERS INTERNATIONAL FACTORIES, INC., now offers the Walters automatic gas cut-off. When installed on the main feed-line or when used as the terminal for connecting a flexible hose for supplying gas to portable appliances, it automatically cuts off the gas supply when for any reason the pressure falls below  $\frac{1}{2}$  oz., thereby preventing possible explosions or other accidents.

POREATHERM is advertised by the Porete Mfg. Co. as a heat insulating material that may be produced from ordinary portland cement in the regular concrete mixer, can be cast in forms or slabs or poured "on the job" as needed.

THE new Sperti sun lamp announced by General Foods Co. for producing ultra violet rays—Vitamin D—with complete absence of danger of overexposure and sunburn, is now offered commercially by the Science Laboratories. This lamp requires no special fixtures or transformers and connects to any lamp socket.



## SEPTEMBER FACTS AND OCTOBER SALES!

The Toledo Plaskon Duplex Scale is selling two times faster than any scale ever produced by the Toledo Scale Company. In a single month, it has shattered the unit sales record for this 40 year-old pioneer company. The Plaskon—molded color—hood is a major reason for this great success. The 55½ lb. portable Plaskon Scale allows forceful, point-of-sale demonstrations—impossible before with the heavy cast-iron-housed model. It has eliminated many finishing operations ... and complaints of chipping and discoloration levied loudly against the old porcelain finish. In addition to these production benefits, the Plaskon scale reduced the shipping weight 63%, kept down shipping breakage to minimum. Of the first 2,000 scales shipped, only two housings were damaged in any way upon arrival at their destination. Plaskon is inexpensive, light in weight, strong, modern. It would improve hundreds of machines in use today as it improved the Toledo Store Scale. Without obligation, ask us for any information you may desire about this superior urea Plastic.

TOLEDO SYNTHETIC PRODUCTS, Inc.  
TOLEDO, OHIO

**PLASKON**  
MOLDED COLOR

# CR: Comedy Relief

## Advertising men are amused by the Consumers' Research strike, but to Schlink and the union it's a real war.

Now entering its sixth week with no prospect of early settlement, the strike of Consumers' Research employees in Washington, N. J. (BW—Sept '35) continues to furnish the advertising fraternity with some choice comedy relief—relief, at least, from the job of trying to sell food and cosmetics in the face of CR's periodic blasts against advertised products.

Meanwhile, the CR strikers—41 out of a total of some 70 employees—go grimly about the business of picketing the plant and organizing support for their cause among CR's 60,000 confidential subscribers.

With this situation as its inspiration, *Printers' Ink*, leading advertising trade journal, recently found occasion to recall with relish that old ditty, "Who takes care of the caretaker's daughter when the caretaker's busy taking care?"

### Cause and Effect

Strikers are not a bit nettled by the apt observation. *Printers' Ink*'s fun-poking attitude may well be explained by the fact that they refused to accept a \$25 contribution from *P. I.*

That little episode goes back to the hectic night of Sept. 5 in New York City's Town Hall where the strikers

were holding their first mass meeting. One by one, with Chairman Heywood Broun to introduce them, the strikers had testified to the justice of their demands: a \$15 minimum wage, a 35-hour week, recognition of their A. F. of L. union, and reinstatement of 3 of their number whose dismissal was one cause of the walkout. When the appeal for funds was sounded some \$400 rolled in, including *Printers' Ink*'s \$25 pledge. Avoiding any accusation that their strike was supported by big business interests that have long sought to spike CR's guns, Arthur Kallet, former secretary of the corporation, emphatically declined the offer for the strikers.

### Unholy Alliance

Despite this action, a few days later in the first statement of the management's side of the case, President F. J. Schlink proceeded to press the charge of an unholy alliance of communistically-inclined strikers and capitalistic advertisers against consumers. And as indisputable evidence of that conspiracy, Mr. Schlink introduced *Business Week*'s earlier report of the CR strike.

In his extended defense President Schlink went on to point out (1) that the management had no prejudice

against unionization; (2) that of the 3 men dismissed one was discharged for incompetence and 2 under the terms of CR's standard labor contract which calls for a 6-month trial period; (3) that the directors on Aug. 20 had taken action to establish a \$16 minimum wage to take effect early in September. In addition, Mr. Schlink charged the strikers with a dozen assorted acts of violence and intimidation—some as vicious as bean blowing—and recounted a plot to ransack CR's confidential files, which the management foiled.

### Strikers Retort in Kind

From their New York headquarters, strikers last week retaliated in kind, mailed out their hot denial to those subscribers whose names they were able to secure by advertising for them in various liberal magazines. The strikers' reply stated (1) that the union had always been ready to arbitrate the issue but that Mr. Schlink had refused; (2) that the CR labor contract was at best a convenient yellow dog document; (3) that failure to announce the wage increase earlier "appears strange."

Meanwhile in Washington throughout the month a score or more of employees continued at their jobs, safe at least from one familiar strike taunt. Thoughtful Mr. Schlink had secured an injunction which forbade pickets to call workers "scabs."

This injunction also prohibited workers from picketing at intervals of less than 25 ft. Deputy sheriffs—the first all-union constables in New Jersey by their own admission—proved too friendly with pickets for Mr. Schlink's liking so other guards were obtained. Currently, the CR management is asking Governor Hoffman to remove the town sheriff because of laxity in his enforcement duties—even if it is necessary to call a special session of the New Jersey state legislature to do it.

### McGrady Not Called For

Although all the orthodox accusations of assault and battery, personal attacks, property destruction, and even a threatened bombing or two fill the air, actual conditions in Washington are still so peaceful that no immediate intervention by the President or Edward F. (Friday) McGrady appears likely.

And advertising men are vastly cheered by the prospect of a long run for this soul-satisfying comedy of errors. Particularly do they look forward to the trial which strikers have scheduled to hold for Mr. Schlink at Town Hall on Oct. 24. Congressman Marcantonio, columnist Heywood Broun, Bruce Bliven, editor of the *New Republic*, John Chamberlain, New York Times book review editor, and Rabbi Edward L. Israel are among those who have consented to conduct the trial. Mr. Schlink and his counsel have been invited to attend.



**"CARETAKER'S DAUGHTERS"**—Last month, F. J. Schlink, president of Consumers' Research and self-appointed caretaker for the consumer at large, found another more critical problem on hand when 41 of his 70 employees struck for a \$15 minimum wage and union recognition. And the caretaker's daughters continue to take care of themselves pretty well; the strike shows no signs of cracking.

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WEEK

## Wide Reading

PUBLIC OPINION ON EIGHT POLITICAL AND ECONOMIC QUESTIONS. *Fortune*, October. Second survey shows the public (1) believes firmly in the right to inherit; (2) does not favor larger income taxes; (3) knows little more about foreign affairs than in 1914; and expresses varying opinions on the treatment of labor, on modern architecture, and on milk containers.

SPECIALTIES ADD THE TANGIBLE TO RADIO PROGRAMS. Frank H. Waggoner. *Premium Practice*, September. Advertisers find sample packages a perfect supplement to radio programs, because they make trade names and products a reality.

THE SERVICE OF BETTER LIVING. Owen D. Young. *National Real Estate Journal*, September. "We must bring down the cost of housing by research and increased efficiency so that more people can buy."

AIR CONDITIONING LEADS THE ADVANCE. John Howatt. *American Builder*, September. Great opportunities are seen for commercial cooling installations for business profits, and for all-year air conditioning of homes.

BRITISH MERCHANTS ADOPT STANDARDS OF RETAIL PRACTICE. *Dry Goods Economist*, September. What the British Retail Trading Standards Associates have done to improve selling standards in Britain.

WHY COLONIES COUNT. D. W. Brogan. *The Spectator*, Sept. 27. "It is to be hoped that out of the Ethiopian mess some good may come, that there may be a real stock-taking of the position based on the recognition of the fact that one reason why colonies are an asset of imperial control is the possibility they offer of a corner for young men who, failing that, may well be potent factors in revolutionizing their own countries and, in the long run, of making a peaceful Europe impossible." Interesting British viewpoint—and a potent argument for Hitler and Mussolini.

### BOOKS

INCOME AND ECONOMIC PROGRESS. Harold G. Moulton. Brookings Institution, 191 pp., \$2. Final volume of 4 studies devoted to analysis of distribution of wealth and income in relation to economic progress. Stresses need for progressively larger national income; discusses its possible redistribution by means of taxation, increased wages and price policy, with particular emphasis on the last.

### REPORTS—SURVEYS

THE AMERICAN DISCOUNT MARKET. Homer P. Balabanis. University of Chicago Press, 101 pp., \$1. Condensed, authoritative exposition of our newest credit instrument—bankers' acceptances. The mechanics of their creation; their usefulness in financing trade and as a bank investment.

WHAT WILL DEVALUATION MEAN TO YOU? E. C. Harwood. American Institute for Economic Research, Cambridge, Mass., 64 pp., \$1. How to adjust life insurance plans to the smaller dollar; what to do with future savings; how to protect yourself against a rising cost of living.



### Statement of Condition September 30, 1935

#### Assets

Cash, Due from Banks and Bankers	133,375,429.00
Exchanges for Clearing House	44,850,238.98
U. S. Government Securities	509,309,539.19
Demand Loans	43,249,881.67
Time Loans and Bills Discounted	166,891,212.98
State and Municipal Bonds	45,729,804.72
Stocks of Federal Reserve Bank and Bank for International Settlements	2,300,000.00
Other Securities and Investments	17,723,587.44
Mortgages Owned	2,356,747.10
Banking Premises	20,433,668.60
Real Estate Formerly Occupied as Banking Premises	1,400,924.30
Accrued Interest and Accounts Receivable	5,162,668.60
Customers' Liability on Acceptances	1,587,393.79
Liability of Others on Acceptances, etc., Sold with Our Endorsement	6,950,635.83
	\$1,001,321,732.20

#### Liabilities

Capital	\$25,000,000.00
Surplus Fund	50,000,000.00
Undivided Profits	13,807,871.83
Contingency Fund	16,571,189.58
U. S. Government Deposits, Secured	19,769,300.00
State and Municipal Deposits, Secured	80,116.79
Other Deposits	841,875,399.38
Outstanding and Certified Checks	22,648,601.06
Dividend Payable October 1, 1935	884,373,417.23
Accrued Interest Payable	1,250,000.00
Unearned Interest	39,036.67
Reserve for Taxes and Expenses	243,583.41
Outstanding Acceptances	1,145,448.79
Less Amount in Portfolio	3,737,291.39
Acceptances, etc., Sold with Our Endorsement	1,796,742.53
	1,940,548.86
	6,950,635.83
	\$1,001,321,732.20

As required by law, bonds carried at \$23,150,745.58 have been deposited to secure deposits as indicated above and for other purposes.

#### DIRECTORS

SEWARD PROBER, Chairman, Managing Committee	A. A. TILNEY, Chairman of the Board
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## BANKERS TRUST COMPANY

16 WALL STREET • NEW YORK

FIFTH AVENUE at 42nd STREET • 57th STREET at MADISON AVENUE  
LONDON OFFICE: 26 OLD BROAD STREET



Aboard the Cunard Liner Majestic.

*"This was supposed to have been a South American sales trip, but Business Week's report on current credit conditions there made us postpone that a bit."*

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## Business Abroad

**War fears start spurt of emergency buying, though Europe expects hostilities to remain localized. Currency stabilization will be delayed by further budget unbalancing and political instability.**

In spite of some misgivings, Europe now views the Ethiopian affair as something which will continue to be localized in the Mediterranean and in East Africa. The threat has renewed war buying in those countries which fear that it is a curtain-riser to something bigger in the near future. Budgets will be stretched to the breaking point; more investment capital is expected to flow to New York.

### Flood of Gold to New York

Nearly \$300 millions in gold have fled Europe in the last month (page 8). Washington balanced the half-year books just before this avalanche started, found that \$800 millions of gold came into the country during the first half of the year, in addition to \$79 millions in silver. None of it was needed to balance the foreign trade books for the period. In fact, we owed the world \$10 millions for the 6 months. We exported \$9 millions more merchandise than we imported, a phenomenally close balance. Freight paid to foreign shipping lines was enough to erase the difference. We received \$215 millions in interest and dividends and paid only \$70 millions, but the difference of \$145 millions was sent by American tourists. The \$43 millions spent here by foreign visitors, plus money received from miscellaneous services sold to foreigners, was approximately offset by the customary remittances of immigrants to the folks back home.

### Where the Gold Goes

Of the \$890 millions of gold, silver and paper money, only \$100 millions was invested. A total of \$560 millions was added to foreign bank balances. The government doesn't know what happened to the rest.

The figures used are, of course, net differences. Security holders received \$40 millions in redemptions and sinking fund payments from abroad, but a like amount went into new Canadian investments. A part of the net inflow of long-term capital went to repurchase foreign bonds outstanding in this market.

Similarly in bank balances, a part of the \$560 millions was withdrawals from credits of Americans in foreign banks, the rest was added to foreign deposits here.

### United States the Creditor

At the close of 1934, the government figured that domestic balances abroad were \$976 millions, that foreign balances here were \$573 millions. Hence in balance, this country held a short-term creditor position to the amount of \$403 millions. This had been reversed by midyear so that we were again debtor on current balances by \$157 millions and subsequent transactions have probably lifted the figure to \$500 millions.

This new insecurity in Europe has pushed further into the future all idea

of economic improvement is possible by some other means, and if the budget remains out of balance next year, a devaluation of from 10% to 20% might take place. Of course, what France would prefer would be to have such a decision coincide with a general stabilization of the Anglo-Saxon currencies, in which case it would be construed as a "general lining up of all currencies."

## Germany

**Berlin is ready to bargain London against Rome in present Ethiopian crisis. Food shortage is due to severe economies to finance new military machine.**

BERLIN (Cable)—With all Europe's attention focused on the Ethiopian campaign, Germany is in the fortunate position of being able to sit back and wait for the highest bid for her cooperation. From England, she can hope for colonial concessions; from Italy, the chance to sell—or barter—supplies. Hope rests with the British, though the Italians will be courted to the limit in order to fatten the London offer.

It's no surprise in Berlin—or any other country—that the tension with Austria has eased considerably since Europe's attention has been concentrated on another "bad boy."

### "Freedom—Then Bread"

The drastic butter and fat shortage is having a bad psychological effect in Germany, but fresh supplies are beginning to pour into the country and the panic has already ended. It will not be long now until more normal conditions exist. The government has soothed excited opinion with the slogan, "First freedom—then bread," suggesting that present difficulties are due partly to the preference given the import of materials needed for rearmament and that the lower standard of living is considered an unavoidable sacrifice to obtain this.

A significant change has taken place during the last year in the driving forces of German business recovery. In 1933 and 1934 the volume and pace of German industrial production was primarily determined by government expenditure on public works initiated with the express purpose of creating more jobs for the unemployed. In 1935, these public works, important as they still are (especially the construction of auto-highways), have been overshadowed by government orders placed in connection with the reorganization of the army and introduction of conscription. This was openly admitted by Dr. Schacht in his famous Koenigsberg speech.

### Big Military Machine

Consequently, the growth of the Reich's short-term indebtedness is now also largely determined by the pace of rearmament. Germany still has no regular budget for the fiscal year that began Apr. 1, 1935, and is living, financially, on a hand-to-mouth basis. The consolidation of this debt has been declared by Schacht to be one of the ma-



**IN HONOR OF THE KING** — The *Silver Link*, latest of Britain's streamlined iron horses, pulls out of King's Cross station on its inaugural run, hauling behind it the special Silver Jubilee coaches.



Aboard the Cunard Liner Majestic.

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of international currency stabilization. Almost everyone expects that there will be some sort of agreement to hold currencies within a fixed range with mutual cooperation if the war threat becomes more menacing, but it will be nothing more than this. Britain will want to wait until after the elections and until after the Ethiopian imbroglio has cleared up to some extent before settling down to serious discussion of outright stabilization.

In France, there is the genuine doubt that the present financial experiment is going to work out. Certainly it will not be possible to arrive at any definite view on this before the end of the year. There are important forces in France which are definitely opposed to Laval. The senatorial elections on Oct. 20 are not likely to give any serious forecast of what is going to happen due to the generally conservative attitude of the Upper Chamber. There is no question yet of franc devaluation, but it is not altogether impossible that if no eco-

nomic improvement is possible by some other means, and if the budget remains out of balance next year, a devaluation of from 10% to 20% might take place. Of course, what France would prefer would be to have such a decision coincide with a general stabilization of the Anglo-Saxon currencies, in which case it would be construed as a "general lining up of all currencies."

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major objectives of his financial policy. Subscription was opened at the beginning of September for the 500 million marks issue of 4½% Treasury notes with an average maturity of 7½ years. This is the type of medium-term loan which, it is believed, is likely under present conditions to meet with the greatest response on the part of private investors and, especially, on the part of banks which ultimately will take over the greater part of the issue.

#### Financed by Savings Banks

The second issue of 500 million marks 4½% bonds, redeemable by drawings within 28 years, has been subscribed entirely by the savings banks. The satisfactory movement of savings deposits justifies hopes that this issue will be absorbed without difficulty. The net increase of savings deposits during the first half of 1935 was 449 million marks as against 253 million marks during the corresponding period of 1934. These transactions when completed, will, however, only result in refunding of a fraction of Germany's new floating debt estimated at 8 to 10 billion marks. For the bulk of its current expenditure on armaments the Reich will still be mainly dependent on short-term borrowing. Considering the remarkable (though fundamentally unhealthy) liquidity of the money market and of commercial banks, there are no indications yet of any grave difficulties in this respect. The "danger point" is still far off. Whether it will be reached in 6 or in 12 months, is a matter of conjecture.

#### Food Prices Soar

The second economic difficulty which Germany is now facing is the constant rise of prices, especially of foodstuffs. It is probably the more serious of the 2 since the imminent lowering of real wages and of the standard of living generally is fraught with considerable political dangers, as in the present fat shortage which caused a real panic among the population for a few days. These restrictions are necessary, however, because Germany's scant foreign exchange reserves are used in the first instance to pay for imported materials of military importance. This too, has been officially admitted. Moreover, in a recent press-conference on the subject of price-rises, Dr. Goebbels pointed out that these price increases, in so far as they were caused by reduced imports, were one of the sacrifices which the German people were called upon to make in the interests of the regained "freedom of armaments."

## Great Britain

**London now believes Ethiopian conflict will be localized. Rearmament activity boosts employment. Foreign investments are returning larger income.**

LONDON (Cable)—In commercial London there is a growing movement against the application of sanctions against Italy. In part it grows out of a selfish desire to do business, but most

it is due to the fact that most people realize that they cannot be enforced effectively. The League has moved, and mild action will be taken to register disapproval of Mussolini's aggressiveness, but it is not thought now that they will be pushed, and it is fully expected that the war will remain a local affair. On this belief, steel, shipbuilding, and armament shares are rising.

No political group is more divided on the question of sanctions than the Socialists. In the face of this split in the strongest opposition forces, the cabinet is urging Prime Minister Baldwin to go through with the general election in November before they can pull their forces together again. Rearmament is bound to be an important issue in any campaign, and an election next month would probably return the National government with a sufficient majority to go ahead on another 5-year term. Another National government, if returned, is expected to nationalize several of the present marketing boards, maintain existing tariffs, and reduce quotas.

#### War Industries Speed Up

September employment figures, when they are released, are likely to be good because of the heavy activity in the armament works. Commodities are exceptionally strong, base metals leading. Wholesale prices at the end of September were 1.6% higher than in August, and 5.8% above the figure last year.

Sir Robert Kindersley, in his annual analysis of Britain's income from overseas investment, estimates an increase from £149.7 millions in 1933, to £158.3 millions last year. The larger sum was due almost entirely to a recovery in payments made on investments in British companies operating abroad and on British capital invested in foreign and colonial companies. The income from investments in Empire and foreign loans, government and municipal, is estimated at £61 millions, or about £1 million below the 1928 figure—satisfactory when the number of minor defaults is remembered.

#### Army Absorbs Schoolboys

One satisfactory feature of the better employment position in Britain is that this term the majority of the boys leaving high school will be absorbed. Since 1929 their absorption has been a serious problem. For the most part, they come from good middle-class families and do not appear under the insurance act figures of unemployed. It is very necessary that business should begin to take a bigger quota, for the usual professions of accountancy and the law are already filled to overflowing. Recruiting for the air force and the mechanised sections of the army is helping to place these youngsters. The channel from the ranks to the commissioned ranks is now very easy—a generation or so ago it was only one in 10,000, if that, who made the passage—and many boys are now ready to leave school and serve as air craftsmen or as private soldiers in the double hope of swiftly rising to the officers' mess and attaining a first class technical training which will be of value when they are discharged at the end of their 7 years of service.

## France

**Business is gloomy over the domestic political situation. France doubts the effectiveness of sanctions against Italy; expects internal weakness to cause real trouble.**

PARIS (Wireless)—French business is stagnant except for a few industries producing raw materials for war equipment which are under contract to deliver large orders to Italy. The Ethiopian crisis is no more to be blamed for the sluggishness of home business than the uncertainty over the domestic political situation. The end of Laval's "breathing spell" is approaching as economic recovery has made small progress. Opposition is strong, with various elements in the country demonstrating growing strength due to general dissatisfaction.

Although the Bourse has been fairly active in the last few weeks, results show no strength and there is less hope that the government will be able to carry through any large-scale conversion operations which would reinforce rates.

#### Paris Moves Reluctantly

It is too early to know how rapidly pressure will be applied to bring economic sanctions against Italy into force. France is still reluctant to take a strong opposing stand against the Italies. Britain has refused to make any commitments of cooperation in case of a general Continental war and France is holding out in the present situation in the hope of forcing a definite promise from London.

The French are realistic in their appraisal of the effectiveness of sanctions. To refuse to sell Italy coal when the French mines already have been forced to curtail employment is not any easy move for the government to enforce. Italy has long been a major market for French scrap iron and for steel. Naturally, France could play an important part in strangling Italy economically, but the French know that a dozen other neighbors are likely to go ahead because they are even less able to make the economic readjustment than the French. A blockade would almost be necessary to make the boycott effective, and not even the British are expected to be willing to undertake this.

#### Propaganda Behind the Lines

The real sanctions which many Frenchmen fear will be the undoing of Italy are underground work by British agents and money in Italy to ruin fascism and Mussolini's standing. This is quite in keeping with British policy in the past. It is obvious that Mussolini's standing in Italy has been declining for 2 years. First real blow came when Chancellor Dollfuss was murdered by Nazi agents in defiance of promises given by Germany to Mussolini. Second one is the development of the critical financial and economic situation in Italy due, in part, to the general depression, but also to such large public works projects that a country of Italy's meager wealth cannot normally bear. Now the

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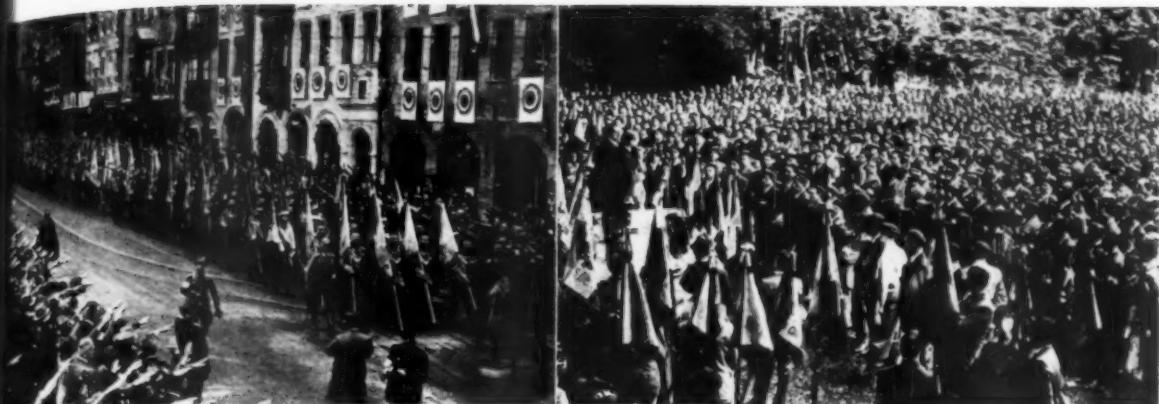
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**THERE WAR THREATS THRIVE**—In the tread of Nazi legions as they marched in Nuremberg, political observers heard the thunder of another world war, should Britain and France become so involved in Ethiopia that Germany might find a

chance to gratify military ambitions by a march on Austria. Meanwhile, the sudden show of strength by French fascists roused grave alarm lest they unseat the Laval government and embarrass France's international peace negotiations. *Arne*

ilians are faced with a campaign which is far from popular even with some of the soldiers. It is even rumored in Paris that Mussolini has been obliged to send two soldiers with every 25 workers it has decided to transport to the Ethiopian districts. Another cost which hadn't been expected to be as large, is the buying of support within Ethiopia. Italy started this some time ago, but discovered that other foreigners were ahead of her. The British again aren't the least of these.

## Soviet Union

**Trained workers help increase efficiency in major steel mills, eliminate need for further government subsidies.**

MOSCOW.—As a result of an intensive campaign for greater efficiency (there is a 16% increase in labor productivity in the first 8 months of this year compared with same period last year), numerous branches of Soviet industry are now reported to be operating without government subsidies.

The high-grade steel trust, one of the strongest branches of heavy industry, established only a few years ago to eliminate the government expenditure of millions of gold rubles on imported steel, has recently announced that it will no longer require government subsidies. Many other metallurgical plants have also reduced production costs to a point where they no longer call upon the government for aid and are able to show a gradually mounting profit.

The Stalin plant in the Donbas, one of the older metal plants, reports a profit of 420,000 rubles in July, and the Petrovski plant in the same region reports having cut its production costs by 37% compared with last year. The Voroshilov metal plant, which in 1934 received 30 million rubles from the government to cover its deficit, is now operating at a profit.

This move toward greater efficiency

is spreading to other branches of industry. The increasing efficiency of Soviet industry may be largely attributed to the growing number of trained administrators and technically qualified workers that have been developed within recent years. This year alone, more than 58,000 specialists completed various terms of training and have been absorbed by industry.

## Canada

**Dominion expects close election Oct. 14, with victory for Liberals, or a coalition government.**

OTTAWA.—At what was probably its last meeting before the election (Oct. 14), the Cabinet finished its business by passing 107 Orders-in-Council. Many were relief payments due to provinces, British Columbia receiving a loan of \$400,000 to assist it in financing its share of relief payments. More than \$2.7 millions in contracts were awarded, chiefly under the public works relief act. Agreements were made with two trust companies, one in Moncton, N. B., and one in Truro, N. S., by which they will cooperate with the Dominion in extending loans under the housing act.

The prediction of H. H. Stevens, Reconstruction party leader, that there would be a Liberal-Conservative alliance to form a Union government, has been refuted by Liberal leader Mackenzie King. Mr. King stated emphatically there would be no alliance between the two parties should neither obtain a majority in the next House of Commons. The Liberal party would continue to fight in opposition if it failed to win the majority.

At St. John, N. B., Prime Minister Bennett flayed all proposals for inflation and declared that "no consideration on earth will ever make me party to any act which I know will destroy the credit of our country."

The Act of Parliament, passed last session, providing for limiting the hours

of work in industrial undertakings to 8 in the day and 48 in a week went into force on Oct. 5. Some difficulty, however, has been experienced in drafting satisfactory regulations, and it will be some weeks yet before the machinery starts to operate. Thousands of industries throughout the Dominion will be affected.

The establishment of a subsidy of \$2 per quintal on dry salt fish payable direct to fishermen was again placed before Prime Minister Bennett by the Canadian Fisheries Association. The plea was made because of the serious plight of Canadian fishermen.

Brokers in Liverpool, England, admit that millers may shortly be compelled to buy wheat extensively and that it will be necessary to replenish stocks from Canada, "at such prices as Canadian sellers choose to dictate." Unless the war in Ethiopia is localized or ends quickly, brokers believe the only alternative to drawing supplies from the Dominion at rising prices is the entry of Russia into the market.

## Far East

**Japanese buy control of local branches of Columbia Graphophone and B. F. Goodrich**

JAPAN is continuing its policy of forcing foreign companies operating within the country to allow the branch to come under the control of Japanese stockholders.

One British and one American company have been affected in the last week. Columbia Graphophone (British) has allowed its Japanese subsidiary to be acquired by a majority holding of Japanese investors. B. F. Goodrich Co. has allowed Japanese shareholders to acquire a 51% interest in its subsidiary in Japan, known as Yokohama Rubber Co. It was founded in 1917.

About \$1½ millions are involved in the British deal; a little less than \$1 million in the Goodrich sale.

# Money and the Markets

**Stocks and bonds stabilize, wheat sags as markets cease to worry about war. Financial attention focuses on Supreme Court and possible AAA repudiation. Copper breaks through Blue Eagle top as nonferrous metals soar.**

UNITED STATES finance has, on the whole, suffered very little from the disturbances abroad. For one thing, the fact that the war thus far has been localized without any pointed indication of an early spread has helped relax tension. In addition, the very light financial interest of Europeans here (compared with 1914, for example) has operated against any major disposal of foreign holdings of American securities. Finally our isolated and neutral position has made this country an attraction to international funds, so that the flow is toward us, rather than away from us.

#### Foreign Exchanges Rally

Early this week foreign exchanges rallied with a tempering of the political stringencies abroad, and while gold movement to this country continued heavy, the nervousness that might have been expected to develop after the preceding week subsided rather than increased. Presumably the English equalization fund aided the rally of the pound. The fund has had a rather difficult time lately, for in the heavy international gold movement during the latter two-thirds of September, England bore the brunt of gold losses.

While the United States is certainly not indifferent to the political and economic changes abroad, there are important developments approaching at home which are commanding an increasing share of attention. Outstanding this week was the opening of the fall term of the Supreme Court with the consequent approach of major decisions on New Deal legislation.

Of chief importance in the list of verdicts due to issue from the Court this

fall is that concerning the constitutionality of the AAA. The potential effect of a ruling against the Administration is not wholly clear, but in line with the steady advance of business following the NRA abolition in May, it seems not unlikely that some stimulus would be noted if AAA suffered the same treatment at the hands of the Court. In the case of AAA, this probability is heightened by the fact that there would be no immediate reduction of farm income (the government's benefit payment contracts holding good) while at the same time there would undoubtedly be an increase in the sale of those goods now under the burden of processing taxes.

The possible effect of dethronement of the AAA upon government finances is a different matter. Either new sources of revenue for benefits would have to be found very quickly, or else the budget deficit would be increased by a substantial amount.

#### War Notwithstanding

**Fall market prospects turn up; automotive season stirs stocks as bonds hold stable. Grains sag on rumor of not-too-distant peace.**

THE stock market is showing more interest in the new automobile season than in Ethiopia—which isn't saying a whole lot considering the very slight pressure exerted by the war news. Even this casual unsettlement, however, may be more than offset by the advent of heavier automobile production and the attendant stimulation of activity in

other lines. The stock market appears to be quite sound of limb, and with reasonable fulfilment of autumn business hopes, there may still be plenty of life in it.

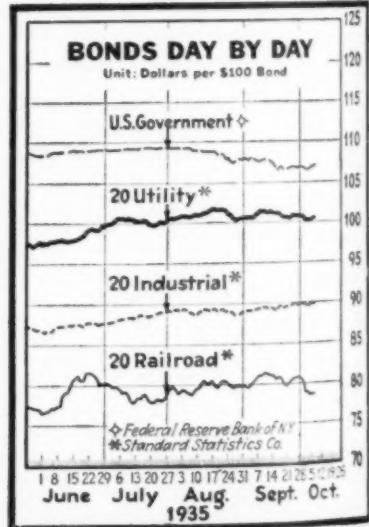
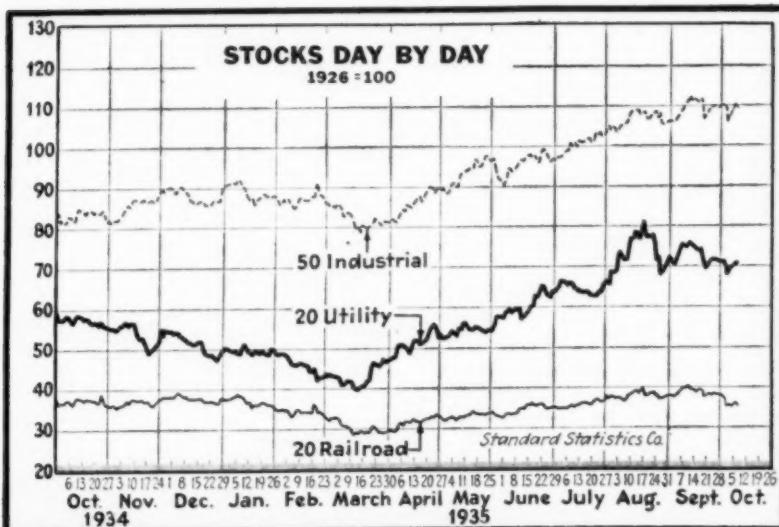
The New York stock Exchange list lost a fraction of an average point in September, involving an aggregate loss of \$686 millions in quoted value of all bonds, including government. Since then, the trend has been satisfactorily stable. This week, foreign bonds had a good share of attention and movements in this group include an unexpectedly firm performance in Italian issues, presumably a reflection of the rumor that peace is in the offing somewhere and that one of the proudest Italy will draw will be a reviving loan advanced by international interests.

The belief that peace in Africa is a possibility soon naturally had a less pleasant effect on grain prices here and abroad, getting them off to a poor start for the week. Chicago prices were under pressure as a result of the holding of wheat purchased from Canada.

#### Financing in Air

**Week's offerings light, but big issues are in the offing. New system for paying dollar bond coupons introduced by Germany.**

PRIVATE financing which appeared in the market this week was light, but next week may bring a sharp reversal. Anaconda Copper and Illinois Bell issues (aggregating \$90 millions) will be through the SEC mill and if usual practice is followed will be immediately offered to the public. Subsequent weeks of this month will probably bring to the investment market such offerings as the Virginia Electric & Power \$7-million issue, Monongahela West Penn's \$29 millions, and Central Maine Paper's \$29 millions. Also in the near future are the Consolidated Oil (\$75 millions) and Goodrich Rubber (\$25 millions) issues.



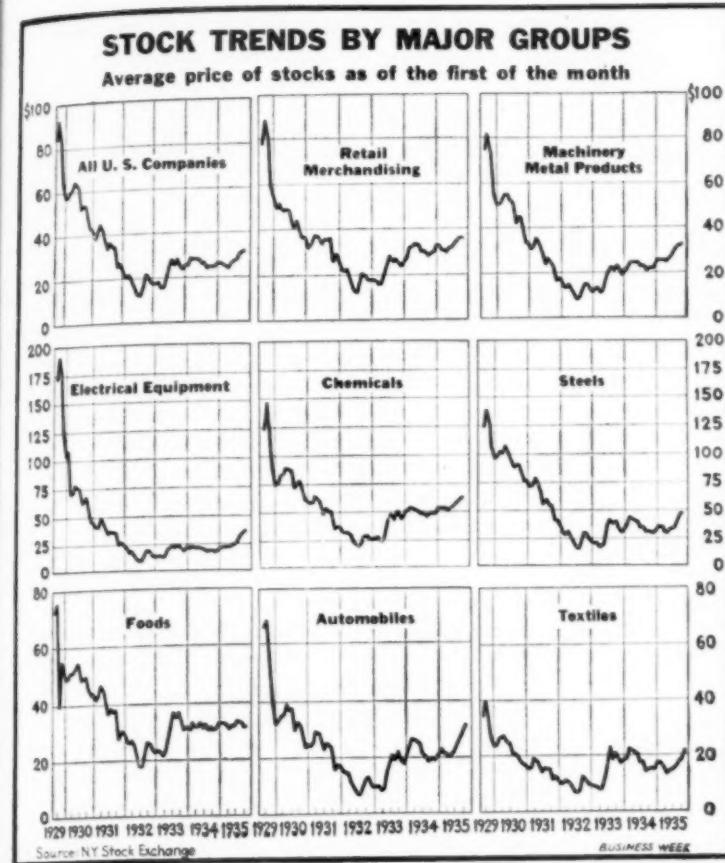
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Rubber (\$2),

The scheme is an evidence of the German tendency to favor export interests. The shipping lines, acquiring dollars in the natural course of business, will be able to buy the coupons, turn them in to Germany at full value for marks and make a profit on the deal.



A novelty in coupon payments was introduced this week when Germany announced that coupons on the Dawes and Young plan loans would be purchased in American money by the Hamburg-American and North German Lloyd shipping lines.

The scheme is an evidence of the German tendency to favor export interests. The shipping lines, acquiring dollars in the natural course of business, will be able to buy the coupons, turn them in to Germany at full value for marks and make a profit on the deal.

## Break for Cotton

**Munition demands and troubles of foreign growers aid in strengthening cotton's position. Domestic conditions improve outlook.**

The government cotton report as of Oct. 1 disclosed scarcely any change from the estimate of a month earlier. Consequently, bullish cotton interests suffered mild disappointments inasmuch as trade estimates had viewed September as a month of declining crop prospects. Nevertheless, the cotton position is considerably stronger than it was in mid-August.

The rub-of-the-green has been quite favorable to cotton in the last two months. AAA succeeded in dodging another strangling loan level (at the cost of a government subsidy), crop

prospects have declined somewhat, and the textile business is active.

The breaks of the game beyond our own shores have also been decidedly helpful. For one thing, the African war was not only a stimulus to world prices, but again reminded foreign markets that stocks of the American product abroad are substantially below last year. An unfavorable growing season in Brazil lessened materially, even if only temporarily, the threat of competition from this source. Meanwhile, according to the Department of Commerce, the Manchurian effort to expand cotton production has run into a nest of trouble.

Aggregate world production, nevertheless, is not likely to make AAA feel comfortable about the millions of bales of 1934-35 loan cotton it is holding. The N. Y. Cotton Exchange predicts a world crop of 25,362,000 bales, larger than last year by 2.7 millions.

## Conversion Dull

**Treasury makes grade on exchange of Fourth Liberty Loan, but success is not brilliant. Government is saving interest on unredeemed debt.**

ABOUT the best and the worst that can be said of the Fourth Liberty conversion is that it was not a very sparkling

affair. The Treasury had to allow almost the full available time (until Oct. 15) before a normal percentage of exchanges was made. Thus, the operation earned the status of "slow" but nevertheless it eventually accomplished the Treasury's purpose, the usual tag-end holdouts notwithstanding.

In connection with unexchanged called government bonds, it is interesting to note in the public debt statement as of Sept. 30 the very large total of matured debt on which interest has ceased. On a total of \$146 millions of debt, the government is paying no interest; some of it has been held free for years, the securities doubtless lost or destroyed.

## Bulge in Metals

**Nonferrous products see best prices on current movement. Trade thinks war influence getting undue credit for advance actually based on sound statistical position.**

NONFERROUS metals staged a price spurge this week that set new tops for the movement throughout the metal list. Copper took the center of the stage with a new high (since April, 1931), bulging above the 9¢ level that had endured without change throughout the entire history of the NRA. This is the first time the red metal has broken through the old Blue Eagle top.

Prices of wire and cable, brass and copper products were correspondingly hoisted and trading volume was expanded appreciably. Zinc also saw a new high for the year, with a net advance of more than 1¢ from the low point of the period. Lead had the same experience, and antimony jumped 4¢ in one day.

The metal trade is a little jealous of the part that war news is thought to have played in the week's advances. While it is conceded that foreign interest in metals and the advance of copper export prices to the domestic level certainly were no hindrance to the rise in values, the trade insists that the groundwork for advances was already in existence and that the war merely touched off a movement that would have come anyway. Now they predict it would go on at an undiminished clip even if hostilities suddenly subsided.

Predictions of 10¢ copper before the year is out, regardless of war influences, are frequently heard, and prophets say that if it had not been for the 7,000-ton monthly production increases, established here for the last quarter, we would already be discussing a possible copper shortage. Reduction of 6,000 tons in U. S. zinc stocks during September was a spur to zinc prices. Galvanizers are even more active now than when they caused heavy September consumption. Increases granted by the world tin committee in export quotas have by no means eliminated expectation of continued firmness in tin prices.

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N. Y., for Oct. 1, 1935.  
State of New York [as  
County of New York]

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C.R. No. 118, Reg. No. 6-B-73.  
(My Commission expires March 30, 1936)

## Transit Merger

New York unification plans pro-  
ceed rapidly with agreement on  
purchase price of I.R.T. system.

CHESS players in the New York transit unification negotiations made a series of quick moves last week. Arbitrators representing the city and companies controlling the major subway and elevated lines got together on the over-all price for Interborough Rapid Transit and Manhattan Railway Company. A price of \$240 millions was put upon their combined properties, including 400 miles of subways and elevateds. Conferences to arrange for the division of these projected sale proceeds immediately got under way among the security holding groups.

Still pending are negotiations between the city and Brooklyn-Manhattan Transit Co. (BW—Mar'35), in which a price of \$192.5 millions has been put upon that company's 323 miles of subways and elevateds. The Dec. 1 deadline on the earlier compromise drives negotiators of the I.R.T.-Manhattan agreement forward at a record pace.

### Long Ratification Line-up

Moves to date are preliminary but fundamental. With bargaining figures set, the proposition must be carried to directors of the companies on one hand and the city's Board of Estimate on the other. If approved there, the deal goes to the security holders and the Transit Commission for ratification. Courts handling receiverships for I.R.T. and Manhattan Railway must also agree.

Legal questions continue to embarrass progress. The city proposes to pay \$100 millions of its own bonds, \$265 millions of mortgages on the Board of Transit Control (municipal subsidiary that will own and operate the merged lines), and assume combined \$67.5-million debt of I.R.T. and B.M.T.

New York officials hope the city bonds will not have to be included in calculating the municipal debt limit. Otherwise the total debt burden would exceed the established limit. They also hope the Board of Transit Control's bonds would be tax exempt, but confronting them is a Supreme Court decision in the Boston Elevated railway case which holds to the absolute contrary. Immunity from taxation would make the securities to be offered more attractive to holders of the company issues and is depended upon to provide an element of economy in future financing.

### \$1.4-Billion Investment

If completed along present lines, New York City would have an investment of \$1.4 billions in rapid transit, including the \$800 millions in its Eighth Avenue-Independent System, the \$432.5 millions paid for I.R.T. and B.M.T., and the \$180 millions invested

in the tunnels through which private companies operate.

The combined system would comprise 862 miles of track and would carry 1,926 million passengers annually. Although biggest in this country, it would be dwarfed by the London transit system unified 2 years ago. The London system, whose progress is reviewed in the current *Transit Journal*, is the world's largest, including 227 miles of underground, 2,380 miles of omnibus and coach routes, 324 route-miles of tramways. The system carries 3.6 billion passengers annually.

### London's System Cheap

All told, 98 operating units, many of them former consolidations, were thrown into the London system which covers a monopoly territory of 1,950 square miles. The unified system represents an investment of £110 millions, its relatively low cost being largely accounted for by the fact that most of it was constructed back in the low cost era.

London undergrounds cover expenses and make 1% on capital investment. Trams earn 4% on investment, and 75% of the omnibus operations pay expenses, according to *Transit Journal*.

No one hopes for as much from New York's unification if the 5¢ fare is maintained. Business—particularly real estate interests—hope that higher fares and lower general taxes would be possible under municipal ownership.

## Liquor Taxes

We drink less than before pro-  
hibition, but we pay more taxes.

THE government in this fiscal year (1935-36) is going to make more money out of less liquor than in the old pre-prohibition days. The news is contained in the revised budget figures forecasting internal revenue receipts from liquor at \$495 millions for the fiscal year, a total that tops the all-time high of \$483 millions in 1919 when cellars were being well stocked up.

The effect of the speakeasy days on our drinking habits is reflected in the forecast that, while whiskey produces this year are turning out less than half the whiskey total of 1911, distillation of gin is far above all-time 1913 high, and brandy production is also at levels never before seen.

In aggregate volume of liquor production and consumption we are behind the old days, disregarding the uncertain amount of currently produced and consumed bootleg supplies, and the government's cheery income prophecy is based on the higher taxes now in effect. Excluding war days, pre-prohibition taxes were little more than half the current hard liquor rates.

# Editorially Speaking—

THROUGH his speeches on the Western trip President Roosevelt has confirmed the opinion of political experts generally that he expects reelection next year by the South and West, on the primary issue of AAA's appeal to the farmer. This follows the barrage of statements by Democratic leaders right after the Rhode Island result. By inference they characterized the Northeast as "enemy country"—as, among other things, William Jennings Bryan used to call New York.

It is far too early, of course, to attempt long-range predictions. The situation can always change almost overnight. No one knows who will be the Republican nominee. But at present the issues are clearly drawn and lend themselves to a battle such as indicated. Especially as Mr. Roosevelt shows no real sign of turning to the right, of letting up on his drive against corporations or his determination to hold profits down.

Following is a table that Washington prognosticators have been using to demonstrate that Roosevelt could be re-elected without the Northeast and without California. It starts by giving him the Solid South—135 electoral votes—

like this:

Alabama	11	North Carolina	13
Arkansas	9	Oklahoma	11
Florida	7	South Carolina	8
Georgia	12	Tennessee	11
Louisiana	10	Texas	23
Mississippi	9	Virginia	11
Total			

(Oklahoma is seldom classed as "Solid South," and Tennessee is generally considered as "border." But let that pass.)

To these, add the so-called border states:

Kentucky	11	Maryland	8
West Virginia	8	Missouri	15
Total			

Now the "Progressive" states:

Minnesota	11	Oregon	5
Wisconsin	12	Utah	4
Arizona	3	Washington	8
Colorado	6	Wyoming	3
Idaho	4	Iowa	11
Montana	4	Nebraska	7
Nevada	3	North Dakota	4
New Mexico	3	South Dakota	4
Total			

Grand Total  
Necessary to elect

There are several weak spots in this table, notably Oregon and Iowa, either one of which, if subtracted, would turn victory into defeat.

To bring out more sharply what the 269 votes thus claimed as sure for Roosevelt do not contain, let's look at the rest:

Now claimed as fairly sure against Roosevelt:

Connecticut	8	New Hampshire	4
Delaware	3	New Jersey	16
Maine	5	Pennsylvania	36
Massachusetts	17	Rhode Island	4
Michigan	19	Vermont	3
115			
Claimed as having drifted strongly from Roosevelt:			
Ohio	26	Illinois	29
California	22	Indiana	14
		Kansas	9
100			

This leaves New York, with 47 votes, which, if added in, would give Roosevelt's opponent 262. Four electoral votes less than enough.

In short, all this means that Roosevelt could lose all of the states mentioned in the two preceding tables, and New York, and yet be reelected.

It's all very long-range guessing, of course, but this is where the guessing starts and that may be important to know.

WE'VE heard several men say that if Roosevelt is elected again, the country will go to hell. It's pretty early to be talking that kind of campaign nonsense. The country isn't going to hell, whether Roosevelt or a Republican is elected.

THERE would be no need to guess about the identity of the Republican Presidential candidate next year if Calvin Coolidge hadn't died.

OUR foreign trade editor gives us a morsel of news from the Japanese press. Kyusichi Sato is a farmer who sank into debt till he owed 600 yen. Taking his 14-year old daughter to Tokyo, he sold her to a geisha house, which paid 250 yen for five years of her service. Then he went out that night, and also the next night, and had himself a time, at a cost of 110 yen. (He's a widower.) The police picked him up because he'd been spending so much money. He explained where he'd got it, and they gave him a dressing down and sent him home, remorseful. But on arriving home he was remorseful no longer. "After all," he said, "it was my own daughter and my own money, and it's nobody else's business."

WE confess a personal disappointment at learning that some ingenious scientist has separated garlic from its noble odor. Years ago we were converted to the theory expressed by Ford Madox Ford, who is no more eminent as an author than as a virtuoso of victuals. He said that food demands garlic, and plenty of it; and as to the objectionable odor—well, if everybody eats garlic, who can smell it?



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## We Have Turned the Corner

Two factors, the forces of which are almost universally underestimated by business, are working to assure a long-sustained advance in business volume and profit. One of these is the inexorable pressure of bank reserves for employment, which must result in credit expansion and some degree of inflation. The other is the rapidly growing belligerence on the part of the property-owning public in defense of private initiative and private ownership.

We hold the largest aggregate of unemployed bank reserves and have the strongest foundation for commercial credit ever known in the financial history of this country. Money knows no home. It presses irresistibly along the lines of least resistance for profitable employment. Capital will not tolerate indefinitely such low interest rates as have prevailed recently.

Fear alone has retarded the natural expansion of credit thus far but even capital eventually develops an immunity to fear. The second factor mentioned is taking care of that. Individuals and corporations who must live by hiring out their capital are slowly coming to believe that nothing can stop substantial expansion.

Many and widely varied circumstances support this confidence. First there is the experience with radical legislation, the threat of which paralyzed business for so long. Many of the most destructive measures failed of passage even in a subservient Congress. Most of the fearsome titles which finally were enacted were amended to remove some of the more dangerous elements of the original bills. Finally the Supreme Court took an attitude which seems to promise that the more dangerous of these enactments will be found to be unconstitutional. This experience also promises protection against the vagaries of the Congress next January.

What is more important as a measure of assurance is the nationwide awakening of voters and property owners to the dangers of collectivism and regimentation. This group, badly organized and thoroughly befuddled, made itself felt in the last Congress. It was mainly responsible for such rational editing as was imposed on Administration bills. Even the scattered millions of owners of utility securities, representing the most unpopu-

lar industry today, shocked Congress by the effectiveness of their protest.

Business has done effective though too little work in organizing its stockholders and employees in the protection of their own interest. These groups will be much better equipped to meet any menace that may come out of the next session of Congress and congressmen are sensitively responsive to organized public opinion.

If business meets its responsibilities in the next few months, and at the moment a few of the larger units are doing so, we need have little fear of destructive legislation from the next session of Congress. It will be meeting at the beginning of an election year. All experience indicates that whichever party wins the White House, more conservative congressmen will win next election than last.

Every business indicator is turning up. Courage and confidence are returning. Every economic force is pressing toward renewed activity. We are undoubtedly well started on the upward swing of a long turn in the business cycle. Those corporations which are quickest, bravest, and most intelligent now in developing new products and finding new markets will profit most in the end.

### Confusing Unemployment and Relief Problems

It would be a good thing if much of the WPA program were junked, in favor of an outright dole. The President's retreat on his wage policy has destroyed one of the few merits the program ever possessed.

When the building trades unions began striking against the hourly wage rates on WPA projects, there was general surmise that Roosevelt's resistance to the "prevailing wage" was intended to reduce the rates in private industry, thus bringing about a building revival. If this was his in-

tention it has now been defeated. The unions have forced the Administration to authorize reductions in the hours of work whenever the circumstances are "exceptional"—in other words, whenever the unions are powerful enough to obstruct WPA projects, as in New York, where the work program first got under way.

The President has backed down. Union workmen will get higher wages than actually prevail in private industry. Therefore, private builders will have to bid against the government for labor; wages will probably rise a little instead of dropping, and building costs will stay up. If there is a building revival it will be in spite of the new wage policy.

To some extent these union men will be employed on meritorious public works. But the other WPA projects, those mainly using unskilled men, are merely pretexts for spreading wages as widely as possible among the unemployed so as to keep them fairly contented. This could be done more cheaply by keeping them on relief or returning them to it.

### Abandon Processing Tax When Emergency Ends

About a year ago some 6 million young pigs were destroyed in this country to raise the price of pork and its byproducts and to advance the relative buying power of the farmer. Today good hogs sell at \$12 to \$14 a hundred pounds and cash corn brings 75c. to 80c. a bushel.

No one begrudges the farmer the benefit of these prices. However, the hog farmer depends for continued prosperity on buying demands both at home and abroad. High livestock prices have hurt the American market for lard and cured meat abroad, and encouraged buyers' strikes at home. This indicates something more than immediate cash benefits to farmers is involved. We were told that crop destruction, planting limitations, and processing taxes were temporary expedients. This seems to be the time to discover how temporary they are, and whether political considerations will permit termination of corn-hog benefit payments. At the moment sound economy seems at cross-purposes with good politics.

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